

Pay gap

2020 report

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Our enhanced parental leave support scheme and our Black and Minority Ethnic (BME) reverse mentoring programme have given us an even greater insight into the experiences and needs of our different employee populations



Introduction

During the reporting period we have continued our focus on recruiting, retaining, developing and promoting all groups within the firm and we have reviewed our processes to ensure that everyone has the same chance to develop and advance.

The initiatives we prioritised during the reporting period, such as our enhanced parental leave support scheme and our Black and Minority Ethnic (BME) reverse mentoring programme have given us an even greater insight into the experiences and needs of our different employee populations and have generated tangible actions for us to take forward.

We understand that it takes time for initiatives to have a material impact on our figures. However, we feel that the proactive steps we are taking are setting the firm up well for the future. We are pleased to see small improvements in the majority of our pay gap figures but know that there is still more to do.

You can read more about the actions we have been taking on page 18.



Julian Howard
Managing partner

What do we mean by a pay gap?

A pay gap is a measurement of the difference between the earnings (hourly rate of pay) of two populations across an organisation, expressed as a percentage of one population'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 fully supports this legislation.



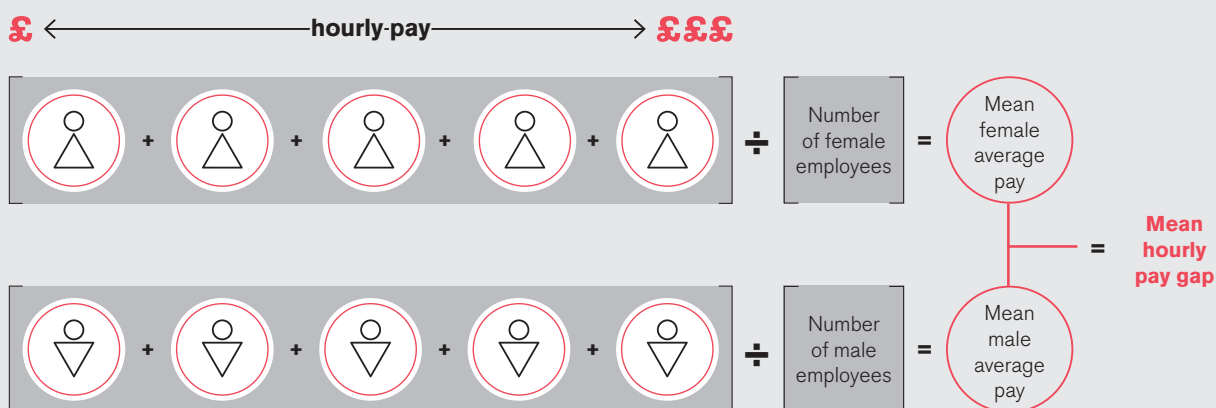
How is a pay gap calculated?

How is a pay gap calculated?

A pay gap is expressed using two different average calculations, comparing one population with another. The explanations below refer to a pay gap based on gender.

How we calculate the mean average pay gap

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.



How we calculate the median average pay gap

The **median** average is the number in the middle. Each male employee's 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.



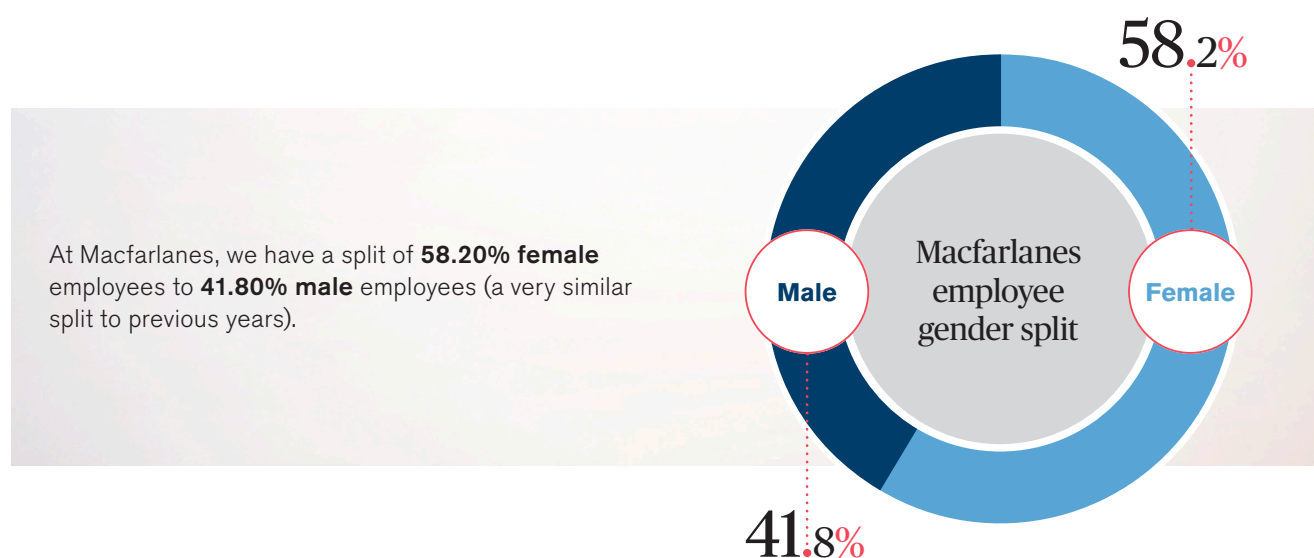
Statutory reporting

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. This includes the median and mean gender pay gaps, the difference in average bonuses and the share of men and women in each pay quartile. As a business with a partnership structure, our partners are not employees and are therefore removed from the statutory reporting.

Statutory reporting

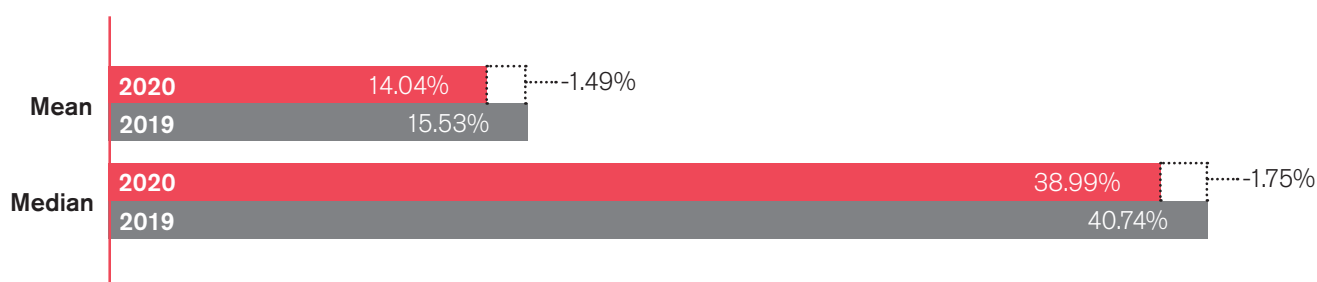
Employee gender pay gap

This section shows the difference between the average hourly pay for all male and all female employees, regardless of their role or seniority.



Gender pay gap

	2020 hourly pay gap	2019 hourly pay gap	Variance
Mean	14.04%	15.53%	-1.49%
Median	38.99%	40.74%	-1.75%



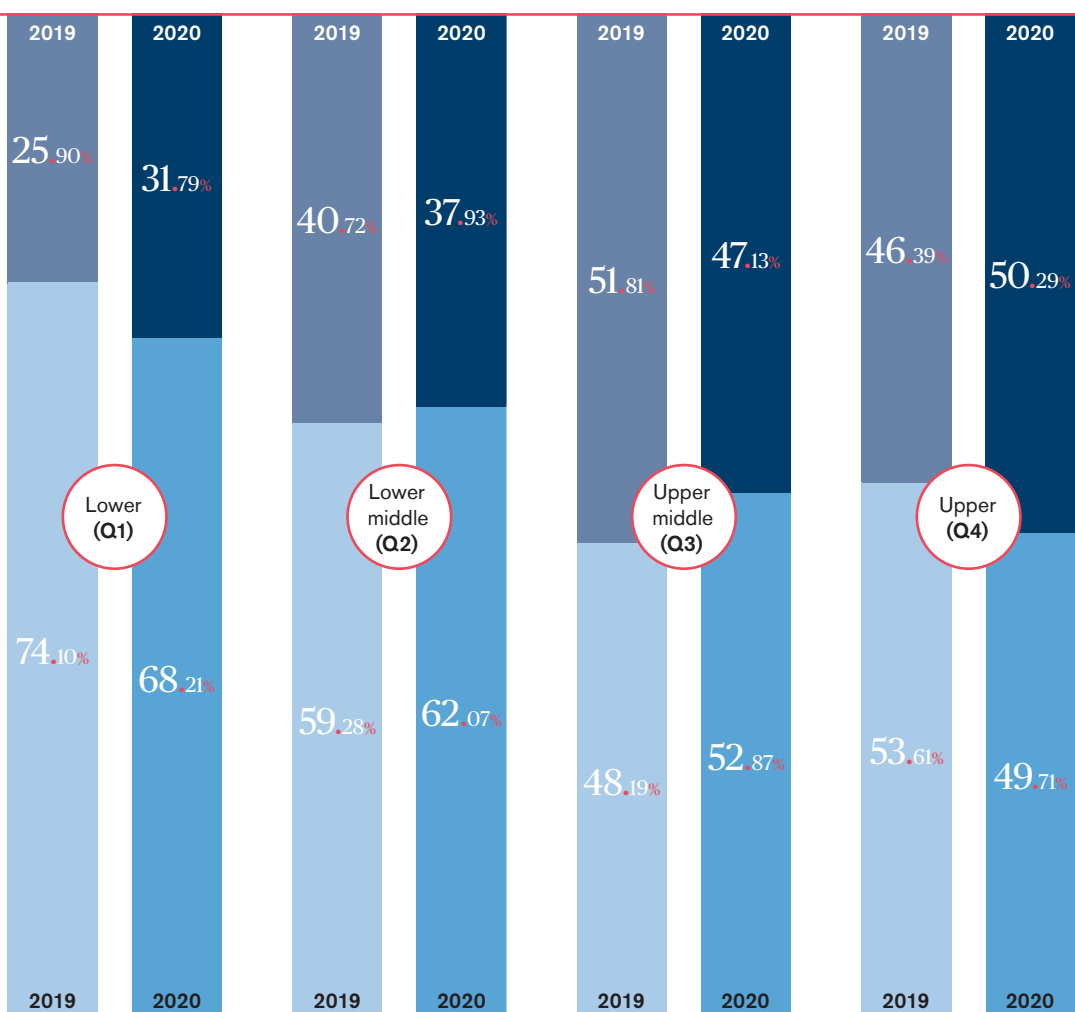
These figures mean that the average income of a male employee at the firm is either 14.04% higher or 38.99% higher (depending on the calculation performed) than the average income of a female employee.

Our gender pay gap is primarily driven by the shape of our business. We have a higher percentage of women in business services, a term which covers all business services teams and secretaries, where the market rate for salaries is generally less than for qualified fee earning roles. For example all our secretaries are female.

The chart opposite breaks down the organisation into pay quartiles. Quartiles are useful for 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.

Statutory pay quartiles - gender

Male

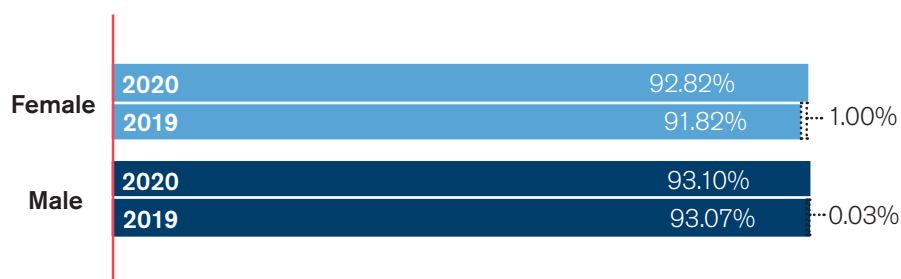


Female

Bonus pay

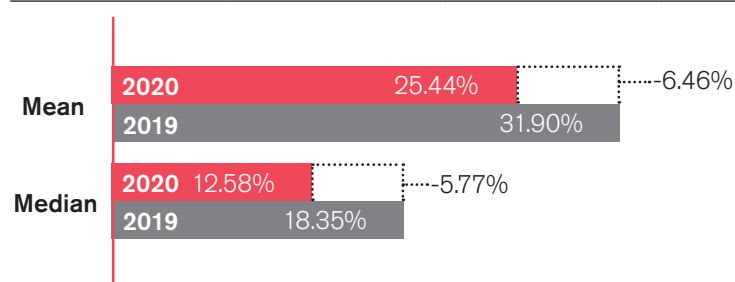
Proportion of males and females who were paid a bonus

	2020	2019	Variance
Female	92.82%	91.82%	+1.00%
Male	93.10%	93.07%	+0.03%



Bonus gap

	2020 bonus gap	2019 bonus gap	Variance
Mean	25.44%	31.90%	-6.46%
Median	12.58%	18.35%	-5.77%



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 than if we had used FTE as we have more women than men in part time roles whose bonus is therefore pro-rated to reflect their working pattern.

Females have an average FTE of 0.96 and males have an average FTE of 0.99.





Laura Uberoi
Senior solicitor, Finance

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I joined Macfarlanes in 2018 as a three year PQE solicitor in the Finance team. I was also pregnant and so began my maternity leave relatively soon after joining. The firm's maternity coaching and opportunities for mentoring has provided very practical and helpful support. Macfarlanes' internal MacsMentor programme is a brilliant way to obtain a perspective from a senior mentor elsewhere in the firm and to develop a network.

The firm also invited me to participate in the 30% Club cross company mentoring scheme. I was incredibly fortunate to be paired with a partner at PwC and former head of various banking teams. Her guidance has been invaluable to my development. The scheme also runs a variety of events (now virtually) which enable you to build networks with other mentees and mentors (inside and outside of the firm) and I cannot recommend it enough.

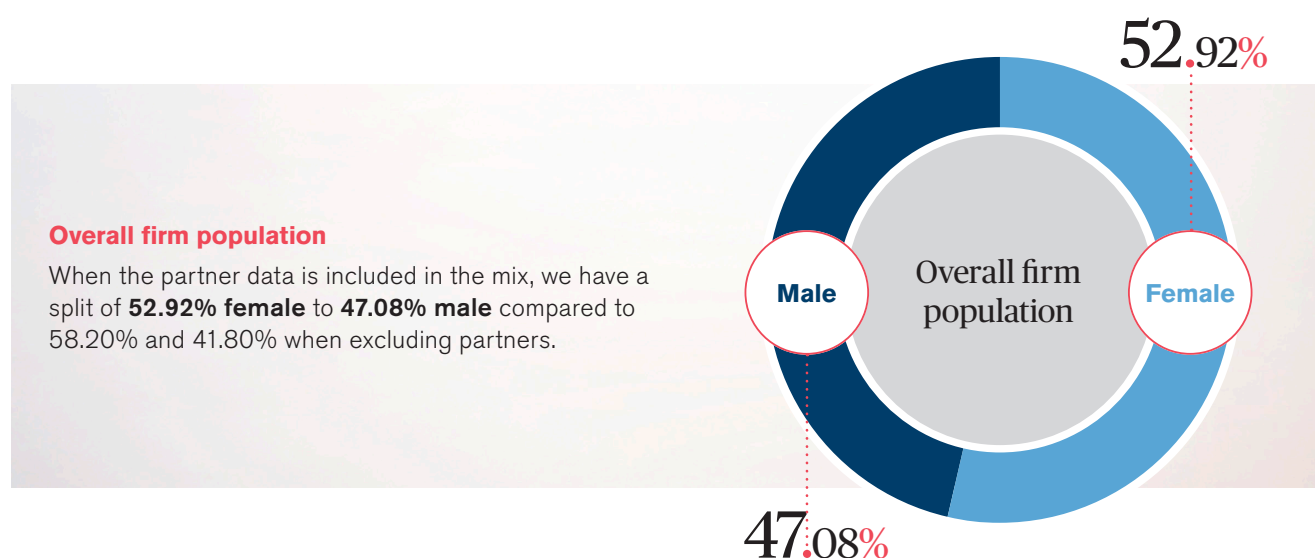
The firm has been a member of the 30% Club cross company mentoring scheme for four years.

This high profile programme matches an experienced male or female leader from one organisation to mentor a woman from a different organisation. The programme also includes regular events that provide a platform for building high-level networks.

At Macfarlanes, four year PQE female solicitors and mid-level female managers in business services are able to participate as mentees. Partners and heads of business services participate as mentors.

Additional reporting

The Government's gender pay gap methodology requires that partnerships exclude partners from their reporting (as they are not employees). However, we have again decided to also publish our pay gap data including partners. 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 for the purpose of pay gap reporting, we have taken the total annual FTE pay (260 working days, 35 hours per week) for partners and employees including FTE bonuses, to calculate a total earnings figure per person in the period 6 April 2019 to 5 April 2020.

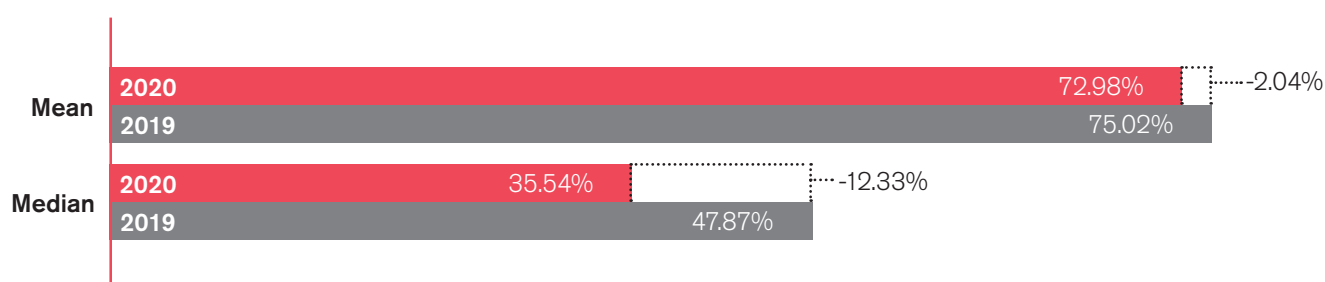


Overall gender pay gap for the entire firm including partners

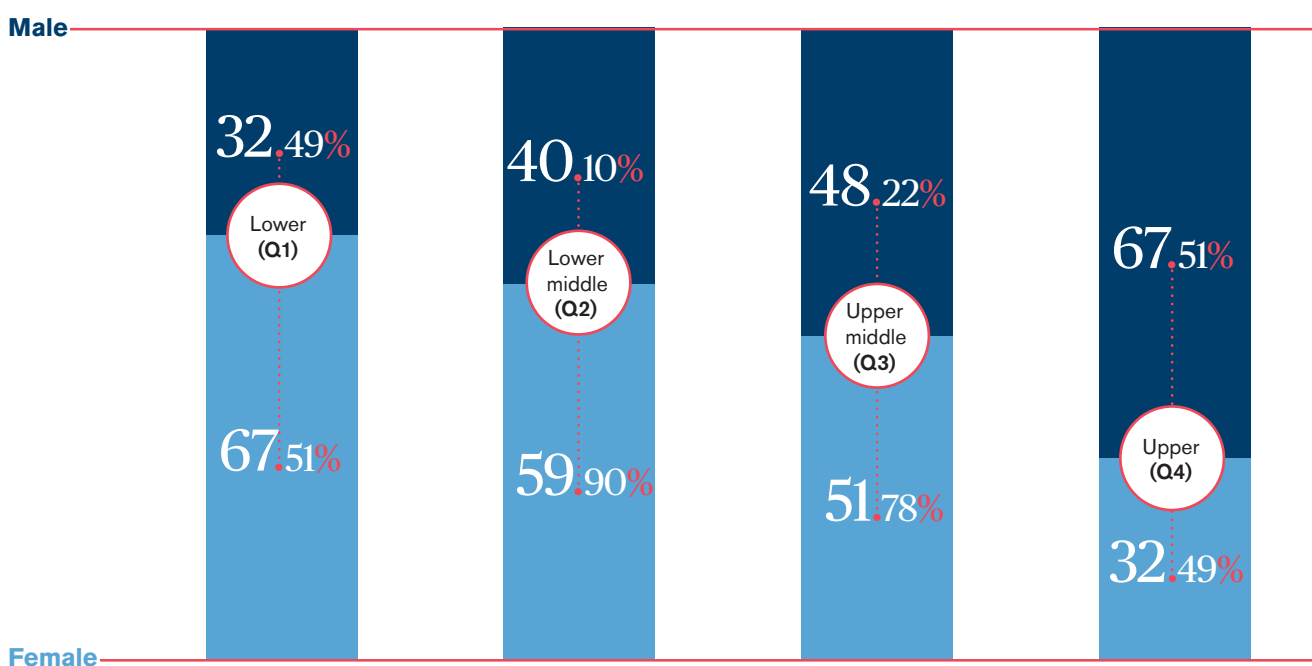
	2020 hourly pay gap	2019 hourly pay gap	Variance
Mean	72.98%	75.02%	-2.04%
Median	35.54%	47.87%	-12.33%

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; and
- the low number of female, and particularly senior female, partners. During the 2019/20 year, we had 94 partners - 13 female and 81 male.



Pay quartiles - Firmwide gender split

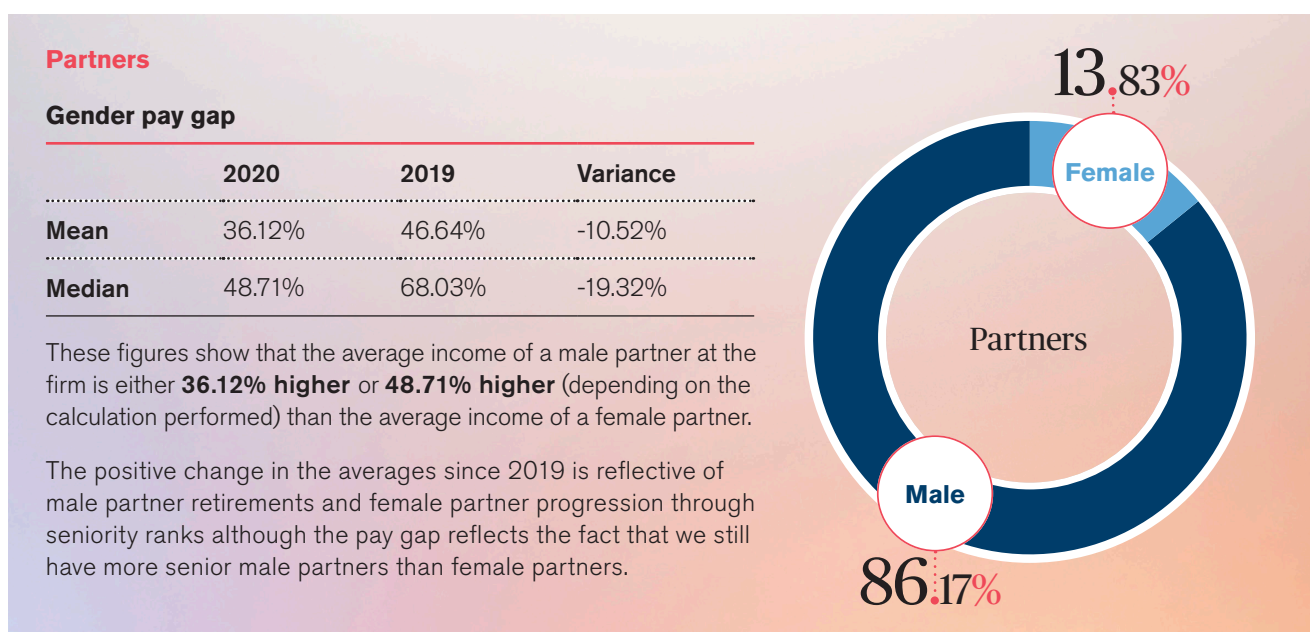
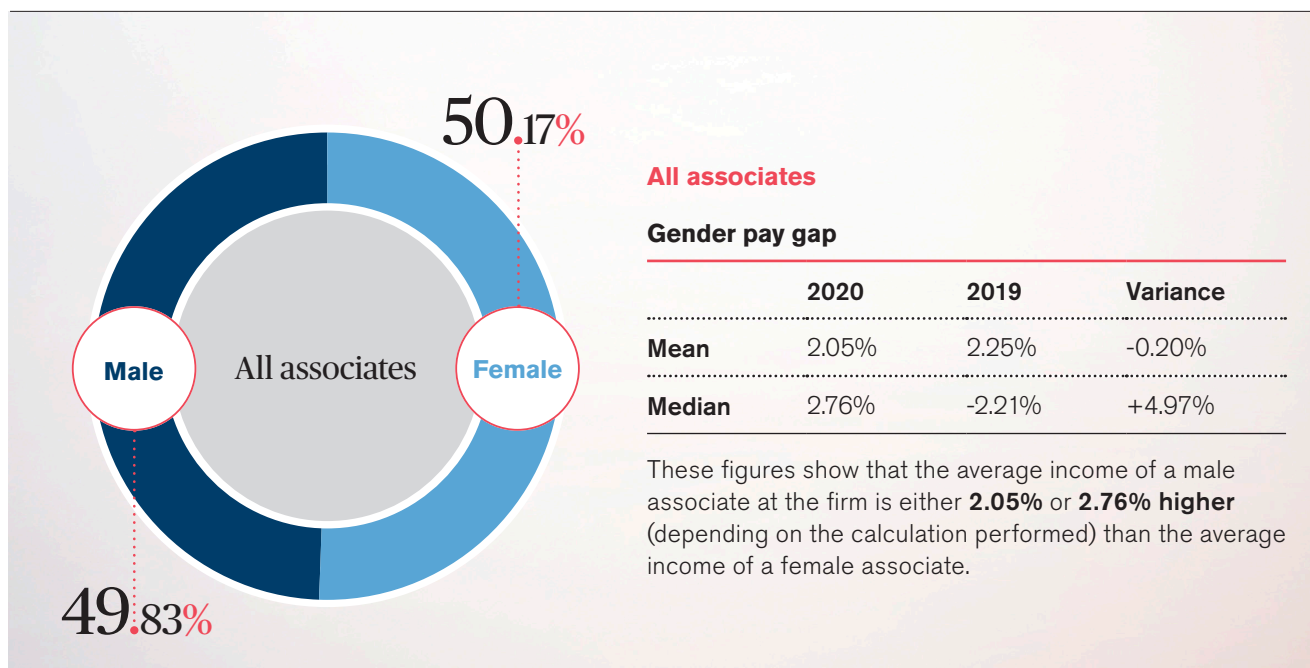


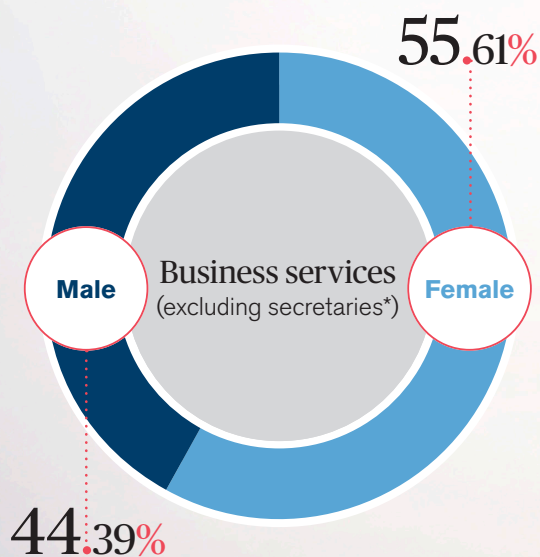
The movement seen in the upper quartile (Q4) compared to the statutory quartile split, reflects the greater number of male partners in the firm.

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During the period 2019 to 2020, the firm has continued to focus on retention and career progression, ensuring that everyone has the same opportunity to fulfil their potential while feeling that they can be themselves at work.

Pay gap breakdown of our populations





Business services (excluding secretaries*)

Gender pay gap

	2020	2019	Variance
Mean	-3.94%	4.93%	-8.87%
Median	-0.44%	0.65%	-1.09%

These figures show that the average income of a male employee within this group is either **3.94%** or **0.44%** lower (depending on the calculation performed) than the average income of a female employee in this group.

* We have no male secretaries, therefore we have excluded the secretarial population from this breakdown to ensure that the most meaningful data is published.

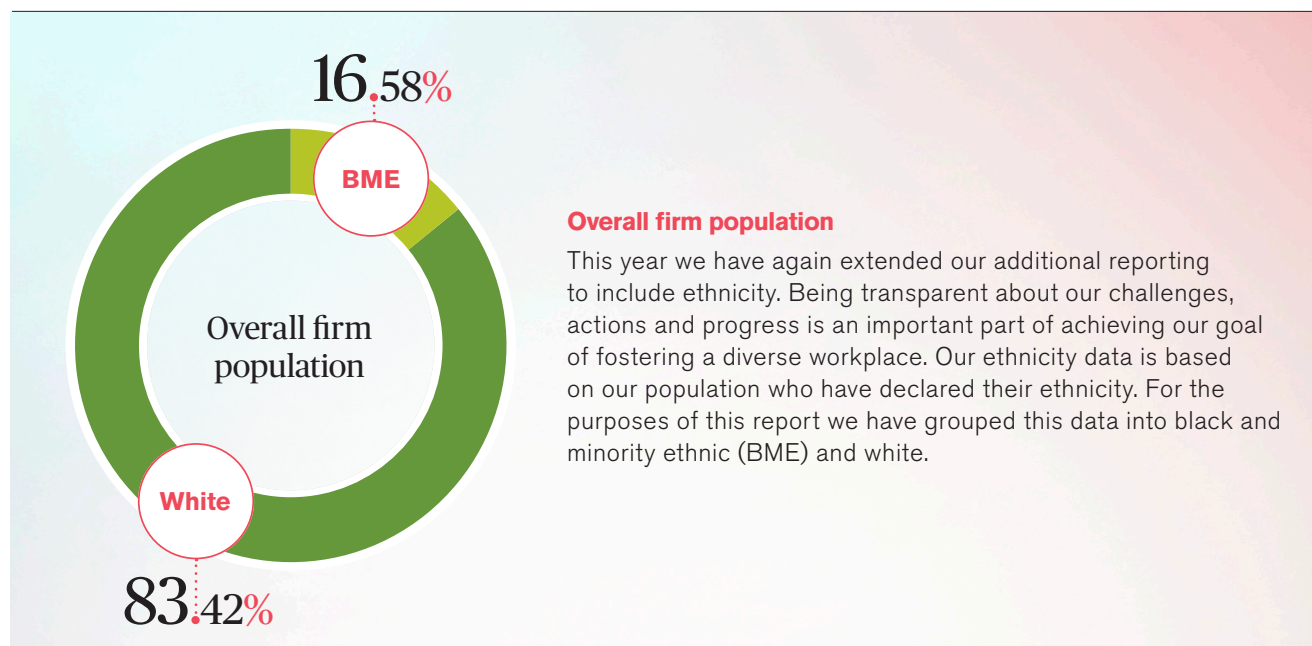


Awards

MY FAMILY CARE⁺

Macfarlanes was ranked first in the legal sector in the My Family Care Parental Leave Policy & Reward Benchmark 2019. 250 companies provided details of their current policies and benefits for maternity, adoption, paternity and shared parental leave. Find out more about the parental leave that the firm offers on page 18 of this report.

Ethnicity



Ethnicity pay gap excluding partners

	2020	2019	Variance
Mean	21.81%	21.22%	+0.59%
Median	39.54%	37.88%	+1.66%

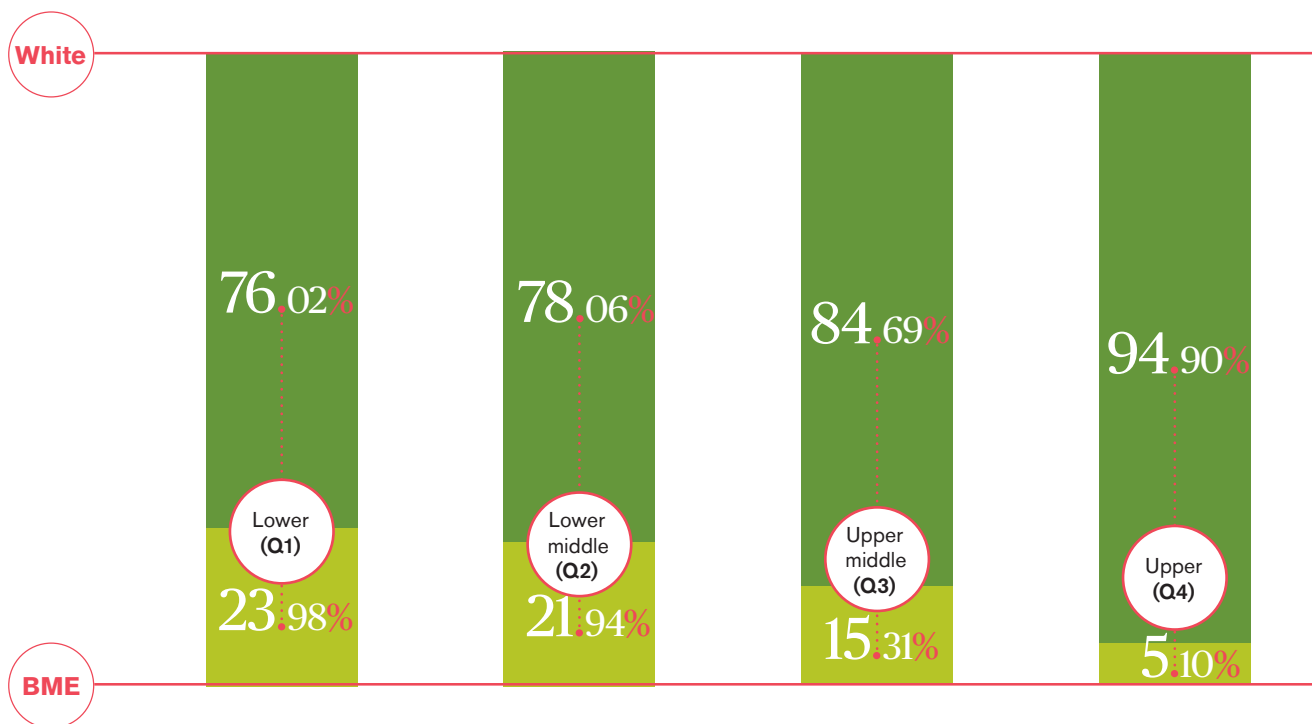
Our mean ethnicity pay gap is **21.81%** and the median is **39.54%** when we only include employees, however, when we include partners the figures change significantly as shown in the table below.

Ethnicity pay gap including partners

	2020	2019	Variance
Mean	70.03%	68.79%	+1.24%
Median	44.09%	43.15%	+0.94%

The ethnicity gap is driven by the greater population of BME people in business services, where the market rate for salaries is generally less than for qualified fee earning roles, and in more junior fee earning roles. Also, as the size of the two populations (BME and white) are significantly different, very small changes in our BME population (for example one or two leavers or joiners) can significantly affect our ethnicity pay gaps.

Pay quartiles - Employee ethnicity split including partners



27.03%
of our current
trainees are BME

8%
of our directors/
heads of
departments
are BME



Awards



INVESTING
ETHNICITY

Top 10 outstanding employer in the 2019 Investing in Ethnicity awards

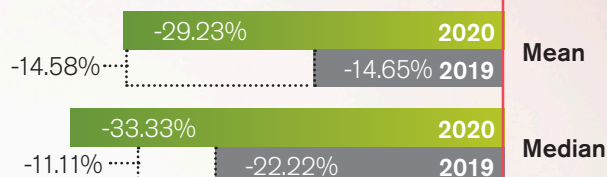
In 2020, for a second year, the firm was named a top ten "outstanding employer" by Investing in Ethnicity. The outstanding employer award is derived from Maturity Matrix submissions - a checklist of recommendations that employers should undertake to drive the ethnicity agenda in their organisations. Our REACH (race, ethnicity and cultural heritage) staff network also made the top 10 shortlist in the "network group" category. This is awarded to those companies who have gone above and beyond in helping to positively impact the BME agenda within their workplace.

Pay gap breakdown by populations

Partners

Ethnicity pay gap

	2020	2019	Variance
Mean	-29.23%	-14.65%	-14.58%
Median	-33.33%	-22.22%	-11.11%

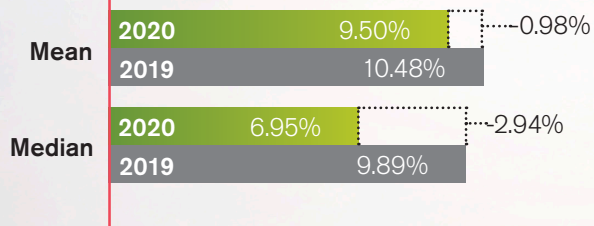


Both the mean and median calculations are reflective of the seniority of our BME partner population.

All associates

Ethnicity pay gap

	2020	2019	Variance
Mean	9.50%	10.48%	-0.98%
Median	6.95%	9.89%	-2.94%

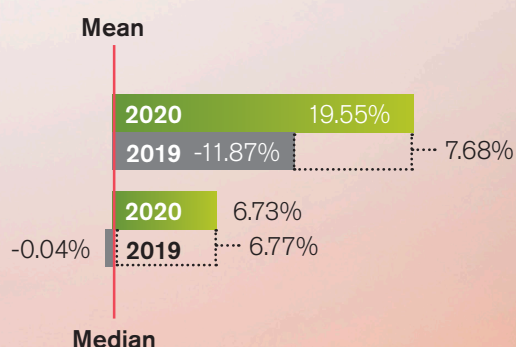


The mean calculation shows that the income of white associates is 9.50% higher than BME associates on average within this group. The median calculation shows that white associates earn 6.95% more on average than BME associates. An analysis shows that our BME associates tend to be more junior.

Business services

Ethnicity pay gap

	2020	2019	Variance
Mean	19.55%	11.87%	+7.68%
Median	6.73%	-0.04%	+6.77%



The mean calculation shows that white employees earn 19.55% more on average than BME employees within this group. The median calculation shows that white employees earn 6.73% more on average than BME employees within the business services population. The gap has increased because we recruited more BME employees in junior business services roles during this period.



Louise Zekaria

Director of diversity
and inclusion

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During 2020 we ran the first cohort of the Macfarlanes BME reverse mentoring programme. Facilitated by writer and ex-barrister Afua Hirsch, senior partners on our policy committee and heads of main practice groups were mentored by junior BME fee earners over the course of the year. The pairings followed a structured programme, including discussing books and podcasts relating to the BME experience and throughout lockdown the programme continued virtually. The programme concluded with an agreed number of action points to implement during 2021.



Basra Marjan

Solicitor, Corporate
and M&A

My mentee was a senior partner in the litigation and dispute resolution team and also a member of the firm's management board. Despite the challenges of lockdown we had a very successful partnership. We were able to go beyond hierarchy and formality in order to candidly discuss my experience at the firm and why diversity matters to me. Over the course of the programme we read *Black and British* by David Olusoga, *Brit(ish)* by Afua Hirsch and listened to “Have You Heard George's Podcast?” by George the Poet. Each resource offered a different narrative of the BME experience, which in turn informed our conversations. My partner mentee was able to ask me questions and together we discussed ideas to implement around the firm.



Awards



**INNOVATIVE
LAWYERS**

FT Innovative Lawyer Awards 2020: Diversity and Inclusion

Macfarlanes was recognised in the Financial Times Innovative Lawyers Award 2020 as one of the top 10 law firms in Europe for actively addressing ethnic diversity challenges. The firm was commended for its BME reverse mentoring programme and for voluntarily publishing its ethnicity pay gap for partners and employees.

Our commitments

During the period 2019 to 2020, the firm has continued to focus on retention and career progression, ensuring that everyone has the same opportunity to fulfil their potential while feeling that they can be themselves at work. We are pleased to see reductions in our gender pay gaps, although we recognise that these reductions are small and we need to continue with the actions we are taking to significantly reduce these gaps and also our ethnicity pay gaps.

We continue to embed the **25 People Commitments** launched in October 2018, focused on:

- **Balance:** helping our people to juggle work, family and personal commitments, including better support for parents and carers, and encouraging agile working.
- **Clarity:** transparency, clarity and fairness should be the guiding principles when it comes to careers in the firm, including around the promotion processes and reviewing our HR policies and benefits.
- **Development:** supporting our people through the various stages of their careers, including developing a culture of giving and receiving feedback, a new mentoring scheme and continuing our focus on inclusive recruitment.

In 2019 we delivered **three people/solicitor initiatives** to understand more about what we need to do to ensure that the firm is a place where our talented people want to stay and progress.

- **Female lawyers forum:** this bespoke initiative for all female lawyers was led by an external consultant and our female partners. From March 2019 to November 2019, there were five modules including plenary sessions and smaller discussion groups – with a practical focus that encouraged networking throughout the year.
- **BME roundtables:** in summer 2019 we worked with an external BME career coach to deliver an initiative for BME fee earners. This was an opportunity to share experiences and make recommendations on what more the firm can do to encourage an inclusive culture.
- **Male lawyers roundtables:** led by some of our most senior male partners and the same consultant who delivered the female lawyers forum, this provided an opportunity for male lawyers to talk about issues that they would like to raise but often feel that they cannot.

In March 2020, firmwide sessions were held to report back on the learnings coming out from all three groups, which continue to inform the firm's strategy and areas of focus. As a result, and building on the firm ranking first in the legal sector in the My Family Care 2019 Parental Leave Policy & Reward Benchmark, this year we continued to **enhance our parental leave support**.

- We created the **working families hub** which brings together all of our family friendly policies and benefits in one, easily accessible place. We introduced the Parental Leave Network to support those returning from all types of parental leave. The network is formed of people who have come back after parental leave and who are willing to support returners by sharing their experiences. The scheme is designed so returners can buddy up with someone who will support them over the following 12 months.
- We have extended support provided by **parental transition coaching to all staff** who take more than three months parental leave. The 1:2:1 coaching sessions are designed to help individuals successfully manage the transition to parenthood. The number of sessions vary depending on the length of leave. However, the offering for all staff is the same. In addition to this we introduced a new online interactive resource centre, Working Parents Online. The platform has exercises, videos, useful tips and information to help parents and managers consider the changes ahead and how best to manage them.
- The firm also provides all staff with six **firm-funded back-up care** sessions per year. A session can be used to provide nannies, nurseries or childminders as well as back-up care for adults and elders when care arrangements break down. In the past year, 82 back-up care sessions were used by staff. We have been meeting with those who have taken shared parental leave to speak about their experiences. Following this we published their Shared Parental Leave stories on our intranet to hopefully encourage others to take shared parental leave.

Pay gap summary

One of the actions the firm has taken this year to start to close the ethnicity pay gap was to be a founding signatory to the **Race Fairness Commitment** (RFC).

- We are committed to increasing the number of senior Black and Minority Ethnic (BME) fee earner and business services roles and, as part of the People Commitments, we have set ourselves the target that at least 10% of our partners will be BME. The RFC is data driven and commits us to measuring things like "application to interview" and "interview to offer" rates for different ethnic groups, as well as monitoring how people from different ethnic groups progress through the firm. The RFC has been developed by Rare, the diversity recruitment specialists with whom we have partnered for six years.
- While we track much of the required data already, the RFC will help us bring this together into a more comprehensive picture. Combined with feedback from initiatives such as our reverse mentoring programme and the Black Lives Matter reflections sessions held in June and July 2020, the RFC will help us identify and implement tangible steps to achieving our target.

We are monitoring progress and gathering feedback in order to continue to develop our diversity and inclusion strategy which remains a priority for the firm. To find out more about our work in these areas, please visit our website – macfarlanes.com/who-we-are/inclusion-and-community/inclusion/.

Gender pay gap

	Mean	Median
Firm statutory gender pay gap	14.04%	38.99%
Overall firm including partners	72.98%	35.54%
Partners	36.12%	48.71%
All associates	2.05%	2.76%
Business services (excluding secretaries)	-3.94%	-0.44%

Ethnicity pay gap

	Mean	Median
Firm ethnicity pay gap excluding partners	21.81%	39.54%
Overall firm including partners	70.03%	44.09%
Partners	-29.23%	-33.33%
All associates	9.50%	6.95%
Business services (including secretaries)	19.55%	6.73%



Julian Howard
Managing partner

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