

Pay gap

2021 report

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Being transparent about our challenges, actions and progress is an important part of achieving our goal of fostering a diverse workplace.



Introduction

In this year's pay gap reporting, as in previous years, we are including additional calculations alongside the statutory employee gender pay gap figures - calculations for our partner, associate and business services populations.

We are also continuing to report on our ethnicity pay gap figures. Being transparent about our challenges, actions and progress is an important part of achieving our goal of fostering a diverse workplace.

There continues to be small improvements in most of our pay gap figures, particularly when we track back to figures from earlier years. However, we recognise that there is still much more to do. Our pay gaps are driven by the current shape of our business - we have far fewer women and people from an ethnic minority background in our most senior positions – and this is where we are focusing our efforts: on retention, career development and progression.

- In the last three years (May 2019, May 2020 and May 2021), 37.5% of partner promotions have been female solicitors (six women and 10 men promoted) and 6% have been from an ethnic minority background.
- In the same period, 50% of senior counsel promotions have been female solicitors and 6% have been from an ethnic minority background.
- At director level, female representation now stands at 63% and ethnic minority representation is 25%.

As a reminder, the pay gap is a measure that shows the difference in “average” pay between two groups of employees e.g. men and women, and does not take into account workforce composition or job roles. It is not the same as equal pay, which addresses the differences between employees in equivalent roles carrying out equal work – something that the firm fully adheres to through continual monitoring and checks built into our reward processes throughout the year. Please see page 13 for a full explanation of the calculations performed and key definitions.



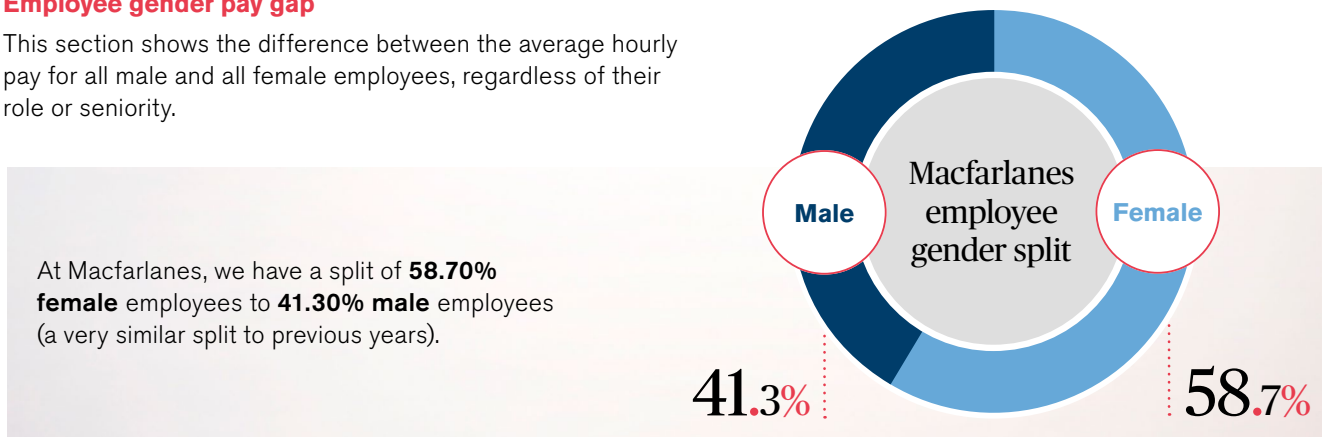
Julian Howard
Managing partner

Statutory reporting 2021

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.

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.



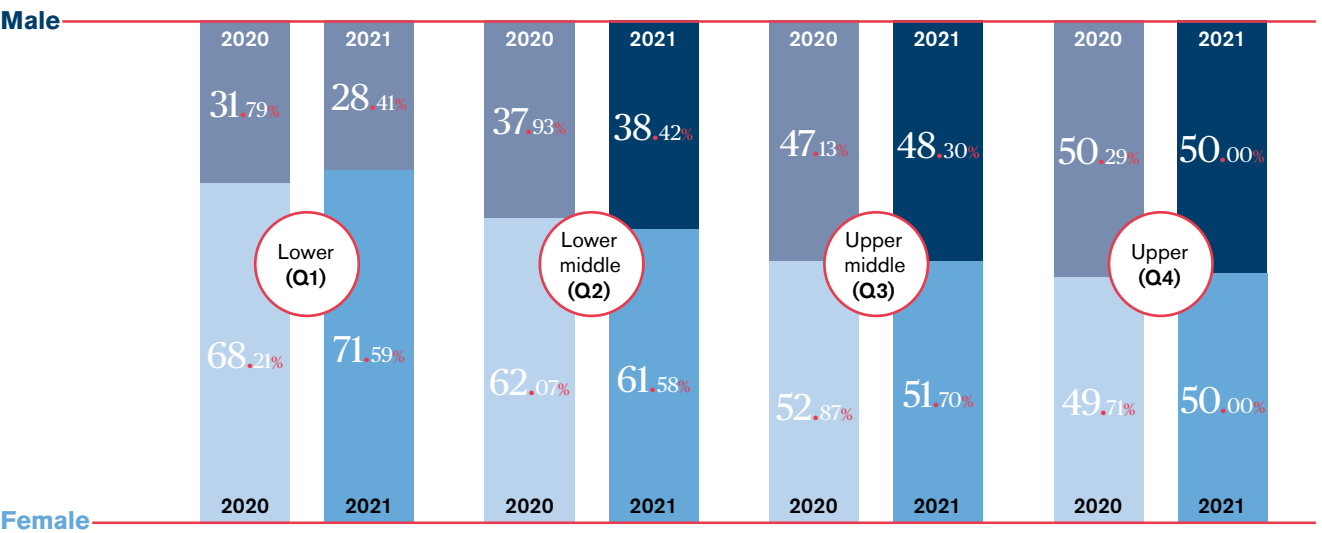
Gender pay gap

	2021 hourly pay gap	2020 hourly pay gap	Variance
Mean	15.81%	14.04%	+1.77%
Median	38.08%	38.99%	-0.91%

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

The quartile figures show that more women have joined the firm in the Q1 group over the last year. Although the percentage of women in Q4 has not changed significantly, when we look back to the first year of reporting for 2017, the percentage of women in Q4 then was 45.1%. Over this five-year period, the percentage of women at the most senior levels has increased to 50%.

Statutory pay quartiles - gender



Bonus pay

Proportion of males and females who were paid a bonus

	2021	2020	Variance
Female	97.10%	92.82%	+4.28%
Male	95.50%	93.10%	+2.40%

Bonus gap

	2021 bonus gap	2020 bonus gap	Variance
Mean	25.53%	25.44%	+0.09%
Median	26.65%	12.58%	+14.07%

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. In 2021, 85% of women were working full time compared to 97% of men. The larger median gap is due to a few individuals who received a significantly larger bonus due to certain one-off events e.g. retirement. These individuals have a greater skewing effect on the median compared to the mean.



Additional reporting 2021

Gender

Gender pay gap analysis by group

The Government's gender pay gap methodology requires that partnerships exclude partners from their reporting (as they are not employees). However, we have 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 2020 to 5 April 2021.

Combined partner and employee gender pay gap

	2021 hourly pay gap	2020 hourly pay gap	Variance
Mean	72.60%	72.98%	-0.38%
Median	33.28%	35.54%	-2.26%

This wider pay gap is a result of significantly higher levels of remuneration received by partners compared to the rest of the firm and the smaller number of female, particularly senior female, partners. During the reporting year, we had 87 partners - 13 were female and 74 were male.

Lorna Emson is a commercial litigator with a focus on corporate crime and investigations for corporates and individuals. Lorna joined the firm as a trainee solicitor and was promoted to partner in May 2021.



Lorna Emson
Partner, Litigation and dispute resolution

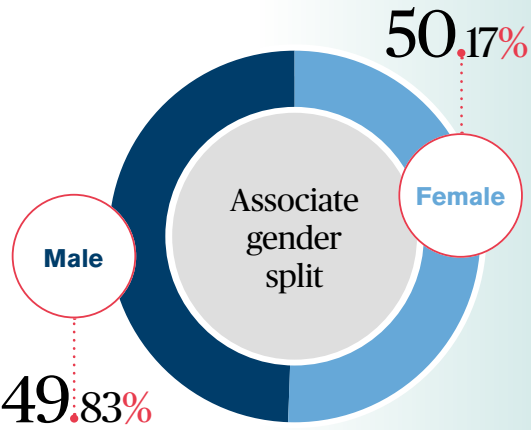
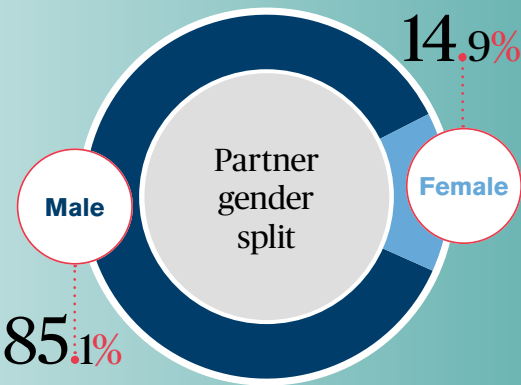
“I have benefitted from the inspiration, support and camaraderie that I have gained from those around me at all levels and in teams and departments across the firm. My career journey demonstrates that with hard work it is possible to have three children (and make them my focus in their pre-school years), work flexibly, develop as a lawyer and build a practice.

In my new role as a litigation partner, I would like to be an ambassador for those with different career journeys to try and ensure they stay at the firm and achieve their potential. I am also pleased to be one of two nominated diversity partner champions for the litigation group. We are working with these partner champions in the other practice areas across the firm to support the delivery of the firm's gender and ethnicity partnership targets action plan.

Partner gender pay gap

	2021	2020	Variance
Mean	35.15%	46.64%	-0.97%
Median	20.00%	68.03%	-28.71%

The positive change in the averages since 2020 is reflective of male partner retirements and female partner progression through seniority ranks although the pay gap still reflects the fact that we have more senior male partners than female partners.



Associate gender pay gap

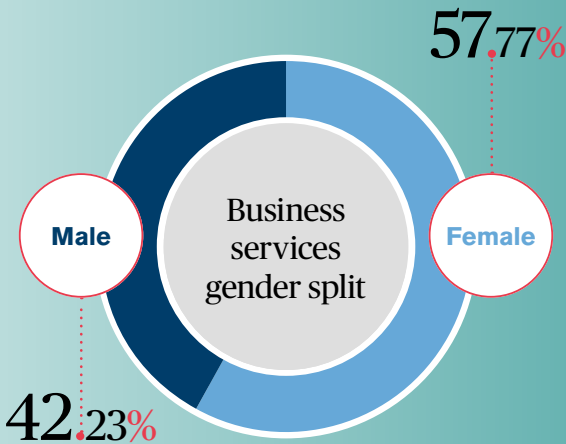
	2021	2020	Variance
Mean	1.30%	2.05%	-0.75%
Median	0.85%	2.76%	-1.91%

Business services gender pay gap (excluding PAs)

	2021	2020	Variance
Mean	1.56%	-3.94%	+5.50%
Median	5.39%	-0.44%	+5.83%

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

The gap widened this year because over the reporting period there were 17 new joiners within business services, of which 11 were female in more junior roles.



Gemma Lyon joined Macfarlanes in January 2019 and since then she has been promoted twice - firstly to senior manager and then to head of marketing communications.



Gemma Lyon
Head of marketing communications,
Marketing and business development

“

Macfarlanes has a culture where you can make a difference - if you have ideas, you are encouraged to make them happen. I have experienced this myself and been recognised for my contributions.

Working extended hours across four days, I have the autonomy and flexibility to integrate work with my parenting responsibilities, enjoy time with my daughter while she is little and still be supported to progress and achieve my career aspirations.

In my new role as head of marketing communications, I have a responsibility to ensure our diversity and inclusion action plans underway at the firm are communicated effectively and are given as much consideration as the efforts behind them.

50%
of our directors/
heads of departments
are female

14%
of our directors/
heads of
departments
are BME

Additional reporting 2021

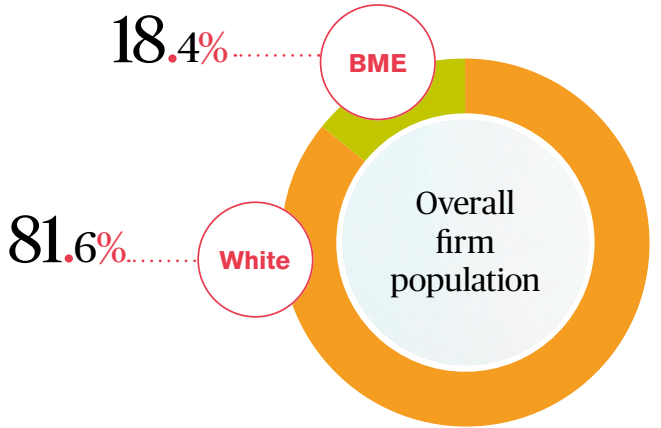
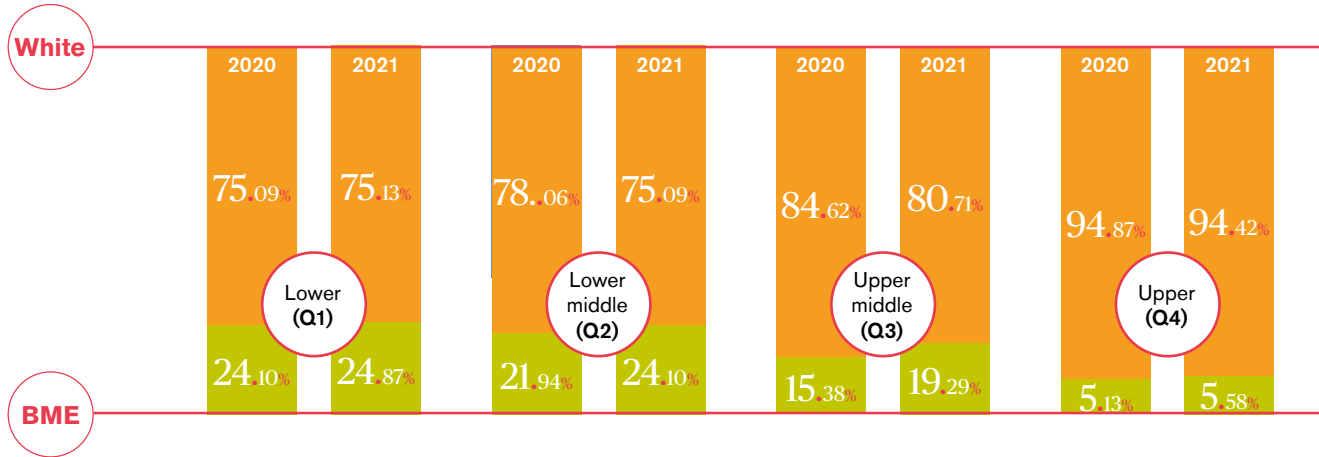
Ethnicity

This year we have again extended our additional reporting to include ethnicity. Our ethnicity data is based on 99% of our population who have declared their ethnicity.

For the purposes of this report we have grouped this data into black and minority ethnic (BME) and white.

Pay quartiles - ethnicity

This table shows the progression and promotion of ethnic minority individuals across the firm into more senior roles over the last year.



Employee ethnicity pay gap (excluding partners)

	2021	2020	Variance
Mean	15.09%	21.81%	-6.72%
Median	31.69%	39.54%	-7.85%

The ethnicity gap is driven by the greater population of ethnic minority 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.

Combined partner and employee ethnicity pay gap

	2021	2020	Variance
Mean	67.74%	70.03%	-2.29%
Median	37.05%	44.09%	-7.04%

Associates ethnicity pay gap

	2021	2020	Variance
Mean	12.11%	9.50%	+2.61%
Median	16.36%	6.95%	+9.41%

The increase in this reporting period reflects there being a greater proportion of ethnic minority junior associates this year and that small changes in our BME population (for example one or two leavers or joiners) can significantly affect our ethnicity pay gaps.

Business support ethnicity pay gap

	2021	2020	Variance
Mean	10.48%	19.55%	-9.07%
Median	1.08%	6.73%	-5.65%

Alicia Thomas is a partner in the tax and reward team. Alicia trained at the firm and joined the partnership in May 2020.



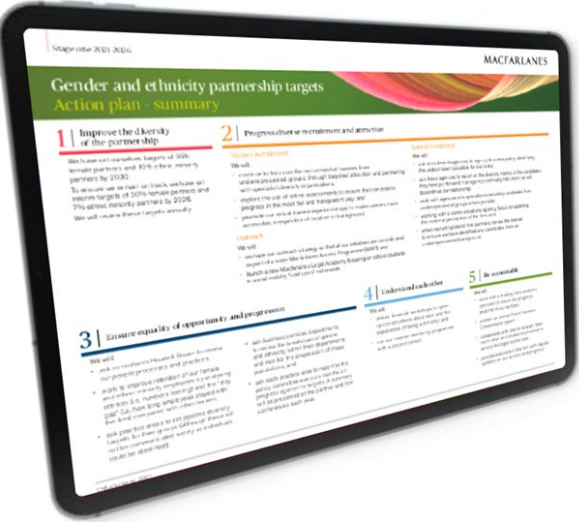
Alicia Thomas
Partner, Tax and reward

From when I first joined the firm as a trainee, to now as a partner, I find the type of work we do in the tax and reward team at Macfarlanes interesting and fulfilling. Coupling the work we do with the people that work here has made my time at the firm truly enjoyable and is the reason why I have stayed at the firm throughout my career.

I am the first black partner at the firm and within a few months of my promotion I led the firm's Black Lives Matter series of reflection sessions. This year I joined the Trainee Solicitor Committee which means I am able to support the development of our current and future trainees – intrinsic to the continued success and increased diversity of the firm.

Closing the gaps

This year the firm announced updated gender and ethnicity partner targets for 2026 and 2030. The firm also published a five-step action plan which provides the framework by which we intend to achieve these partnership targets, as well as an ongoing process for monitoring progress.



A summary of the [action plan](#) is available.

Key actions

- Improve the diversity of the partnership**
We have set ourselves targets of at least 35% female partners and 10% ethnic minority partners by 2030. To ensure we remain on track, we have set interim targets of 30% female partners and 7% ethnic minority partners by 2026.
- Progress inclusive recruitment and attraction**
We will continue to focus on the recruitment of trainees from underrepresented groups, through targeted attraction and partnering with specialist diversity organisations, promote the use of online assessments and our virtual trainee experience app to make careers more accessible, irrespective of location or background.
- Ensure equality of opportunity and progression**
We will work with specialist consultancies to review our people processes and practices, analyse the breakdown of gender and ethnicity within each department and monitor progression of these groups.
- Understand each other**
We will deliver firmwide workshops to encourage conversations about race and the experience of being a minority (see overleaf for more details) and continue with a firm wide reverse mentoring programme.
- Be accountable**
We will continue to work with data analytics specialists to track our progress, collaborate across the legal sector and provide updates on our actions and progress.

These actions, together with all of the other steps that are underway at the firm, ensure that we continue to develop both the strength of our culture and an inclusive environment.

In addition to delivering on this plan, we have focused on the experience of women at the firm. One example of this is the launch of a menopause support policy, together with a guide for managers and support group. We also introduced pregnancy loss and fertility treatment leave policies.

We recognise that we need to better understand the experience of our ethnic minority colleagues within the firm, through data and dialogue. Two recent examples are:

▪ **Race Fairness Commitment**

Last summer we signed up to this commitment which requires us to track and publish data each year on recruitment and how people from different ethnic groups progress through the firm. The data from year one shows that across the legal sector, ethnic minority individuals are disproportionately likely to leave their firms early. This metric is known as the “stay gap” and closing this gap is a key element of our focus on retention.



▪ **Conversations about race programme**

In June 2021 the firm launched a new Conversations about race programme. The programme, which is mandatory, is one of the outcomes of our earlier reverse mentoring programme. The first part of the programme comprises five short videos featuring perspectives from a collection of senior partners who were reverse mentees. The videos focus on discussions about the minority experience, what holds us back, what moves us forward, and collective and individual action.

The second part of the programme involves a series of facilitated discussions for the whole firm, which will be delivered this year. In addition, the firm has provided staff with a language guide to accompany this programme.



Macfarlanes was named as a top 10 exemplary employer in the Investing in Ethnicity awards 2019 and again in 2021.

Investing in Ethnicity is the secretariat of the All-Party Parliamentary Group on Governance and Inclusive Leadership.

Our ranking is based on the score we achieve having completed the investing in Ethnicity's Maturity Matrix, comprising 500 best practice actions across six areas. The Matrix was developed to help businesses progress their ethnicity agendas and our ranking recognises the work we are doing this area.



Definitions and calculations

Ethnic minority: partners and employees who have reported their ethnicity as black, Asian or minority ethnic.

Quartiles: using gender as an example, 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. Quartiles are useful for highlighting any patterns of pay distribution.

Mean and median: using gender as an example, the median average is the number in the middle. It shows the difference between the middle earning male and the middle earning female of a group i.e. the “typical” difference. The mean figure is what is often described as the “average” - adding together the hourly rate of each male employee and each female employee and dividing the totals by the number of male and female employees respectively.

Negative gap (-%): a negative percentage figure indicates a pay gap in favour of women or ethnic minorities.

Pay gap: a measure that shows the difference in “average” hourly rate of pay between two groups of employees (for example men and women) which does not take into account workforce composition or job roles. These figures are not the same as equal pay calculations, which analyse the differences in pay between employees in similar job roles doing “equal work”. We undertake rigorous reviews of our reward practices to ensure that we adhere to the equal pay legislation. Our pay gaps are driven by the current shape of our business.

Reporting: two sets of calculations are set out in our report; statutory figures and additional reporting.

- **Statutory:** every UK employer with more than 250 staff is required to report annually on several 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. Full time equivalent (FTE) figures are used for employees' salaries. However, the reporting legislation states that for the bonus calculations based on gender, we need to report on actual bonus pay. As a business with a partnership structure, our partners are not employees and are therefore removed from the statutory reporting.
- **Additional:** To give a more accurate picture, we publish additional data including overall figures for the firm (including partners) and break downs by partner, associate and business services. We also publish our ethnicity figures. For this additional reporting we use annual FTE earnings figures as partners are remunerated differently and do not receive a salary and bonuses.

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](#).

A handwritten signature in black ink, belonging to Julian Howard.

Julian Howard
Managing partner

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