

MACFARLANES

Pay Gap

2022 report

macfarlanes.com



Introduction

This year marks our sixth annual pay gap report. Alongside the statutory employee gender pay gap figures, we include additional calculations for our partner, associate and business services groups. We also report on our social mobility pay gap figures for the first time, as well as 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, particularly at senior levels.

Each year, figures will naturally fluctuate to some degree and these fluctuations are more pronounced in smaller groups where promotions, changing work patterns and team members leaving or joining, will impact the data more significantly. Therefore, for this type of analysis, monitoring trends over the longer term is important.

When looking at trends over the last three years, May 2020 to May 2022, we are pleased to see that we are making positive progress in improving diversity at senior levels.

During this period, 47% of partner promotions have been female solicitors (seven women and eight men promoted) and 7% have been from an ethnic minority background. In the same period, 43% of senior counsel promotions have been female solicitors and 5% have been from an ethnic minority background.

In business services, in the last three years, 60% of promotions to Director and “Head of” roles were women and 20% of promotions to Director and “Head of” roles were from an ethnic minority background.

This is encouraging but we know that continued focus and momentum is key. Our [action plan for 2026 and 2030 partnership targets](#) continues to shape our strategy.

It is important to highlight that 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 that are built into our reward processes throughout the year. Please see page 9 for a full explanation of the calculations performed and key definitions.



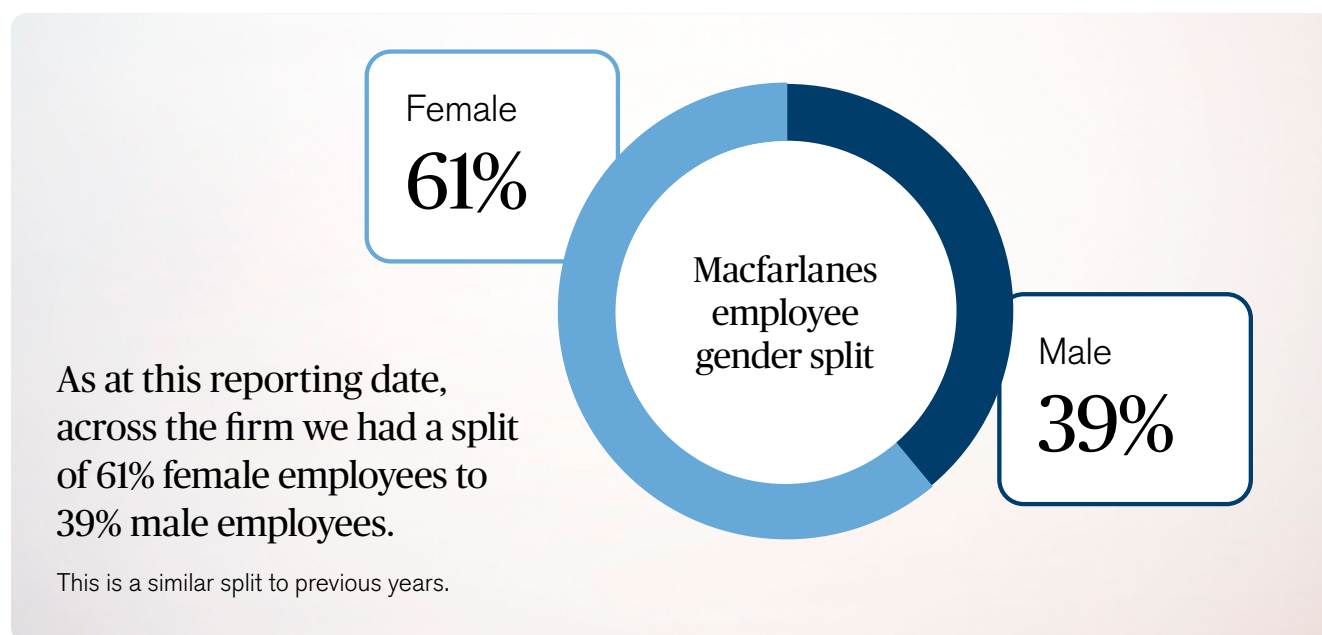
Luke Powell

Managing Partner

Statutory reporting

Employee gender pay gap

This section shows the difference between the average hourly pay at 5 April 2022 for all male and all female employees, regardless of their role or seniority.



Gender pay gap

	2022 hourly pay gap	2021 hourly pay gap	Variance
Mean	19.29%	15.81%	+3.48%
Median	44.63%	38.08%	+6.55%

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 PAs, where the market rate for salaries is generally less than for qualified fee earning roles. For example, all our PAs are female.

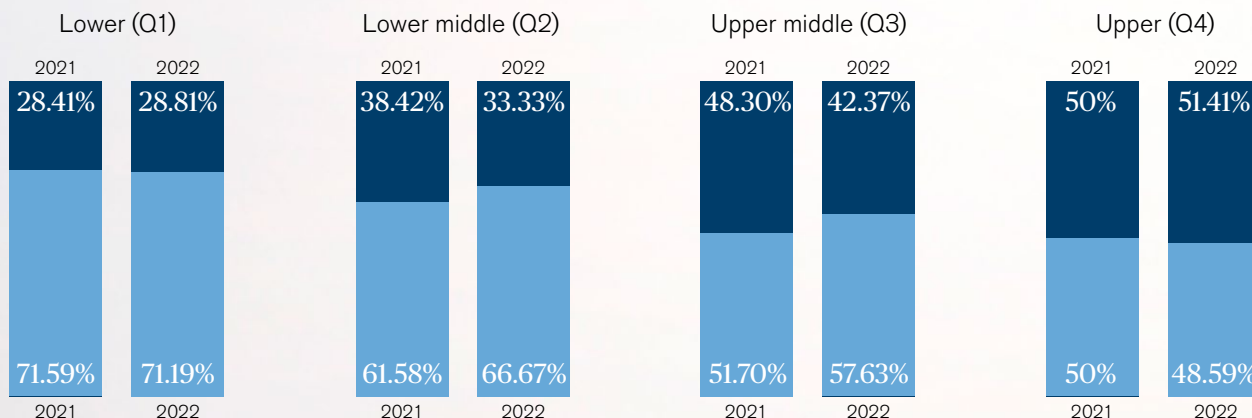
The increase in the mean and median gaps this year are due to a combination of factors, but primarily because there was some movement amongst our group of highest-earning senior women employees: some were promoted into the partnership and therefore are no longer included in this calculation, a small number left the firm and a number had periods of leave (such as parental leave).

Some of our highest-earning senior women employees were promoted into the partnership

Footnote: The figures presented in this report have been rounded to two decimal points.

Gender pay quartiles

Female Male



Employee gender bonus gap

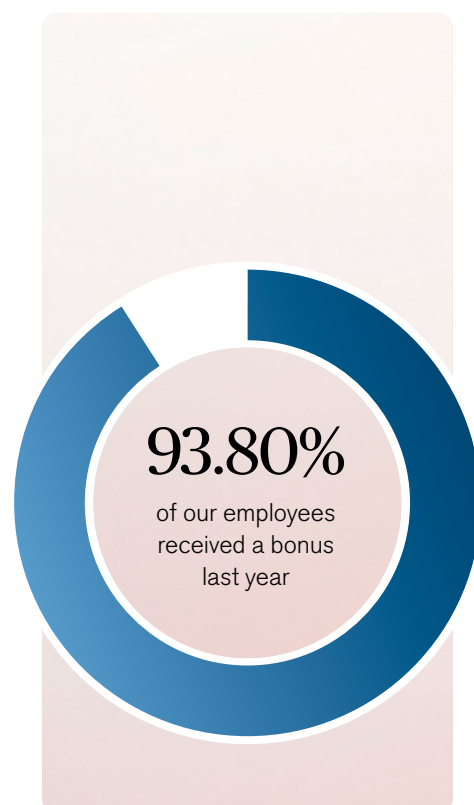
Proportion of males and females who were paid a bonus

	2022	2021	Variance
Female	92.60%	97.10%	-4.51%
Male	95.70%	95.53%	+0.12%

Bonus gap

	2022 bonus gap	2021 bonus gap	Variance
Mean	36.71%	25.53%	+11.18%
Median	40.58%	26.65%	+13.93%

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 pro-rated to reflect their working pattern. In 2022, 86% of women were working full time compared to 96% of men. Also, more women than men joined the firm part way through this reporting period, which affected the actual bonuses they received, and increased the gap compared to the mean.



Additional voluntary reporting

In a partnership structure, which includes both partners and employees, applying the Government's pay gap methodology requires us to exclude partners from the reporting (as they are not employees). However, for clarity we also publish our pay gap data below to include partners in the calculations.

Our approach to additional pay gap calculations

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 additional pay gap reporting, we have taken the total annual pay for partners and employees including bonuses, to calculate a combined earnings figure per person in the period 6 April 2021 to 5 April 2022.

Gender pay gap analysis

Combined partner and employee

	2022 hourly pay gap	2021 hourly pay gap	Variance
Mean	73.32%	72.60%	+0.72%
Median	52.30%	33.28%	+19.02%

This 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 period we had 89 partners - 16 were female (18%) and 73 were male (82%).

Partner

	2022	2021	Variance
Mean	32.22%	35.15%	-2.92%
Median	41.15%	20.00%	+21.15%

Although there has been an increase in the number of female partners (from 15% of the partnership in 2021 to 18% in 2022), the pay gap reflects the fact that still we have more senior male partners than female partners.

Associate

	2022	2021	Variance
Mean	8.67%	1.30%	+7.37%
Median	8.50%	0.85%	+7.65%

During the reporting period, 53% of associates were female and 47% were male. We have calculated this pay gap using actual earnings paid, to follow the statutory methodology, and the increase in this gap reflects that more female associates work on a part time basis than male associates and we have had more junior female associates join during this reporting period. However, this gap reduces to **4.42%** (mean) and **1.60%** (median) when looking at total earnings on a full time equivalent basis.

Business services (excluding PAs)

	2022	2021	Variance
Mean	-1.00%	1.56%	-2.57%
Median	5.94%	5.39%	+0.54%

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

Ethnicity pay gap analysis

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 ethnic minority and white.

At 5 April 2022, 19% of our employees identified as ethnic minority and 81% identified as white. 26% of our trainees identified as ethnic minority and 14% of our Directors and Head of Departments identified as ethnic minority.

Combined partner and employee

	2022	2021	Variance
Mean	68.39%	67.74%	+0.66%
Median	36.54%	37.05%	-0.50%

Partner

	2022	2021	Variance
Mean	11.60%	23.01%	-11.41%
Median	17.01%	19.55%	-2.54%

Associate

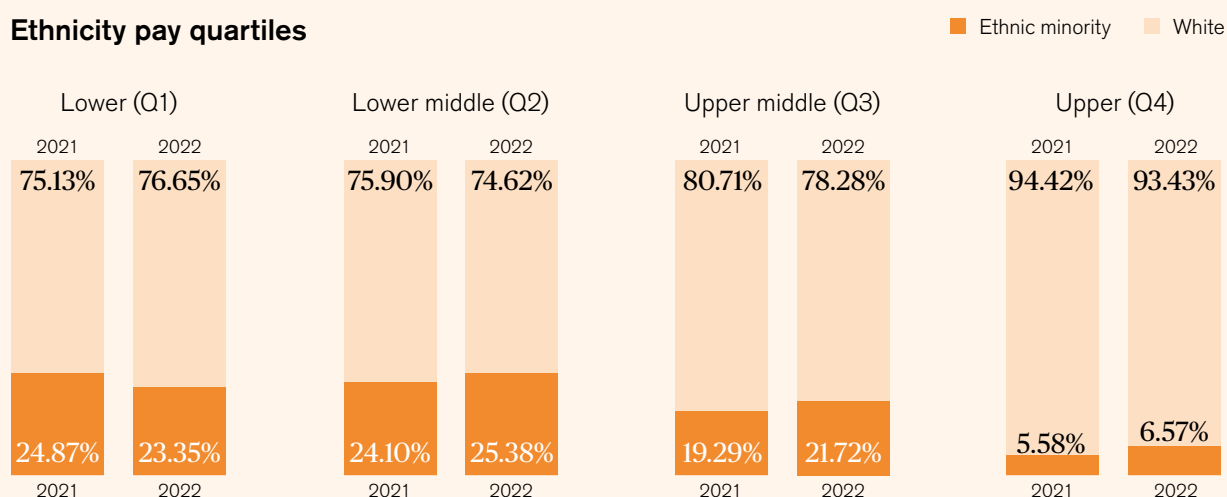
	2022	2021	Variance
Mean	9.30%	12.11%	-2.81%
Median	9.08%	16.36%	-7.28%

Business services

	2022	2021	Variance
Mean	8.37%	10.48%	-2.10%
Median	2.33%	1.08%	1.26%

The decrease in the gaps during this reporting period shows the progression and promotion of ethnic minority individuals across the firm into more senior roles over the last year.

Ethnicity pay quartiles



Social mobility pay gap analysis

For the first time, our report also includes an analysis of the social mobility pay gap. Socio-economic background is nuanced and involves the cumulative layering of a number of different personal experiences.

When determining someone's socio-economic background within the firm, in addition to the category recommended by the Social Mobility Commission (the occupation of the main earner in the household at the age of 14), we also consider responses to seven further questions to build a more comprehensive picture of someone's experience. These indicators include: receipt of pupil premium, refugee or carer status and needing to be employed in a job during term time. This social mobility data is based on an average, overall response rate of 83%.

Combined partner and employee

	2022
Mean	39.32%
Median	43.80%

Partner

	2022
Mean	-3.42%
Median	-15.00%

Associate

	2022
Mean	-0.12%
Median	-0.52%

Business services

	2022
Mean	13.12%
Median	-4.91%

Definitions and calculations

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

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. 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, individuals from a lower socio-economic background or ethnic minorities.

Pay gap: a measure that shows the difference in 'average' hourly rate of pay between two groups of employees, e.g. 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 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. 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 and social mobility figures. For this additional reporting we use annual FTE earnings figures as partners are remunerated differently and do not receive a salary and bonuses.

Closing the gaps



We are now into the second year of our **Partnership Targets Action Plan** which sets out how we plan to improve representation of female and ethnic minority lawyers in our partnership as well as to continue to drive inclusion across the firm.

We are committed to being transparent about progress towards meeting our partnership targets and we have also published **an update** on how we are delivering on these actions:

In the 2021/2022 campus season our Early Legal Careers team delivered
104 outreach events
of which **34% had a specific diversity focus.**

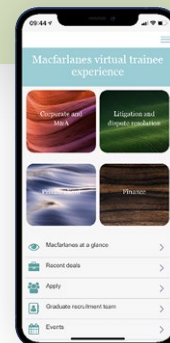
Further, 44% of the universities that the team worked with were non-Russell group, an increase of 6%.

In 2022, 20 of our top recruitment agencies signed up to our new
Inclusive Recruitment policy

We are monitoring the diversity metrics of the candidates put forward by these agencies.

Macfarlanes trainee experience app

Between October 2021 and June 2022, 818 people downloaded the Macfarlanes trainee experience app. We are now looking to upgrade to a new version which will enable us to identify locations and users from social mobility cold spots.



We have reviewed the language and messaging of our people policies, particularly from a diversity and inclusion perspective, as well as introducing additional policies, e.g. adjustments, speaking up and fertility.

MentorMacs, our firm wide reverse mentoring programme, ran throughout 2022 and continues into 2023. Pairs of reverse mentors and partner mentees are participating, across a broad spectrum of diversity characteristics, many with intersectional perspectives.

Given that this is the first year that we are reporting our social mobility pay gap data, we include a more detailed explanation of how we are widening participation in our early years and careers programmes, and how we are encouraging greater dialogue within the firm.

The Macfarlanes training scholarship in partnership with Brunel University

In October 2022, we launched the Macfarlanes training scholarship in partnership with Brunel University, a non-Russell Group university with strong social mobility credentials. This unique scholarship has been designed to tackle the socio-economic barriers that discourage talented students from joining the legal profession. It provides unprecedented access to City law and a fully-funded and supported pathway into the profession for three socially-mobile undergraduates per year.

The Macfarlanes bursary

We have also launched a national bursary, open to socially-mobile undergraduates attending any UK university. The bursary supports students who cannot afford necessary technology, and provides financial support for socially-mobile students participating in our candidate attraction events, vacation schemes and first year insight schemes.

Together, the scholarship and bursary represent a significant investment in socioeconomic diversity.

Macfarlanes Legal Academy

We launched the new Macfarlanes Legal Academy, welcoming our first cohort of 25 Year 12 students from London Academy of Excellence (Newham), Oriel High School (Crawley) and WQE Sixth Form (Leicester). The students participated in skills workshops, had a week's work experience and received individual support from Macfarlanes' mentors. From September 2022, we are supporting an additional cohort and accepting direct applications from students nationwide.

Skills and sharing stories

Our skills development initiative aims to engage talented first year law students from seven universities across England, many in social mobility cold spots, to develop employability skills early in their academic careers and providing access and insight into working life at a City law firm.

We know it is important to raise awareness of socio-economic diversity, particularly at senior levels and so we have delivered internal panel discussions and are sharing stories from people across the firm, including partners, who are from less advantaged backgrounds.

These actions, together with all 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. To find out more about our strategy, please visit our [website](#).



Macfarlanes LLP

20 Cursitor Street London EC4A 1LT

T +44 (0)20 7831 9222 | F +44 (0)20 7831 9607 | DX 138 Chancery Lane | [macfarlanes.com](https://www.macfarlanes.com)

Macfarlanes LLP is a limited liability partnership registered in England with number OC334406. Its registered office and principal place of business are at 20 Cursitor Street, London EC4A 1LT. The firm is not authorised under the Financial Services and Markets Act 2000, but is able in certain circumstances to offer a limited range of investment services to clients because it is authorised and regulated by the Solicitors Regulation Authority. It can provide these investment services if they are an incidental part of the professional services it has been engaged to provide.

© Macfarlanes 2023 (0323)16.021