

MACFARLANES

Pay gap

2023 report



Report figures taken at a statutory snapshot date of 5 April 2023.

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

Our commitment

We are committed to fostering an inclusive culture throughout the firm, from entry level to partnership. It is about recruiting, retaining and promoting all groups in the firm fairly, and we have invested in our processes to give everyone the chance to develop and advance. An inclusive culture encourages different ways of thinking, which enables us to provide innovative solutions to our clients.



In this year's pay gap report we publish our gender, ethnicity and social mobility pay gaps and here we highlight a few of our key programmes delivered in 2023 that we hope will continue to help us make progress.

Gender

Legal Women's Network

In 2023, we created the Legal Women's Network in response to feedback from female lawyers. The network offers a forum for women at the firm of different levels of seniority and from different practice areas, to get to know each other in an informal and open setting. It aims to encourage more support and the opportunity to reflect on career progression, share experiences and exchange advice.

The network consists of small-group networking sessions and all-group workshops on topics such as women's health and business development. The focus for 2024 is a series of networking lunches, including talks by keynote speakers from various disciplines.

Together with other actions underway at the firm, this network is one of the ways we continue to focus on increasing representation of women at senior levels.

Ethnicity

Cultural learning and networking lunches

Our Race, Ethnicity and Cultural Heritage (REACH) network hosts a series of cultural lunches throughout the year, open to everyone at the firm. We aim to create a calendar of events which represents the communities of different cultural heritages or religions who make up our firm. In 2023 we hosted lunches to mark Lunar New Year, Eid al-Fitr, the Moon (Mid-Autumn) Festival, Diwali and Bandi Chhor Divas.

Traditional food is served and our colleagues who celebrate these events deliver an educational presentation, sharing the meaning of the festival and how it is usually marked. We hope that these events help to make Macfarlanes a place where everyone feels at home.

REACH also hosts a series of drop-in sessions throughout the year open to the network, colleagues who identify as coming from an ethnic minority/mixed background and allies. These give attendees an opportunity to network with each other as well as our REACH partners and steering committee members, who can offer support, guidance and informal mentoring.

Social mobility

Legal careers

In 2023 we delivered two award-winning programmes to expand our reach to students from under-represented groups: the Macfarlanes training scholarship and bursary.

We have designed the bursary to account for the financial demands of being a university student and prospective trainee solicitor. There are three grants available: a technology grant, an accommodation grant, and a participation grant.

Through our scholarship programme, the firm is supporting three Brunel University law students annually through a fully-funded programme from the first year of their law degree onwards.

We cover the full cost of university tuition fees, alongside paid work experience, a paid placement year at the firm, and mentoring from senior lawyers throughout. This significantly reduces the financial burden faced by many socially-mobile graduates when they enter the workplace and gives participants the opportunity to develop their legal knowledge and skills, while building their networks in the profession.



Business services careers

The Business Services Academy is a talent development programme for high potential and high performing business services employees and PAs. The programme allows participants to develop their potential in a different area of the business from the one in which they are currently employed. The purpose of the programme is to enable high performers to expand their skillset and to bring added value to their existing team on their return. The programme is hugely successful in developing individuals and providing them with exposure to different teams and practice areas across the firm.

Progress

In 2023:

- eight lawyers were promoted to the partnership, of which 50% were women;
- there were nine promotions to senior counsel, a third of which were women and 11% were from an ethnic minority background; and
- in business services, there was one promotion to a “head of” role who was female.

The pay gap figures fluctuate to some degree each year 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. Over the last five years we have increased the proportion of female partners by 10 percentage points (currently 24% of our partners are women). We are also focusing on supporting female progression within the partnership – as with any other employee, the more senior a partner becomes, the greater their earnings.

Significant progress can be seen in our mean partner pay gap which has narrowed from 54.5% in 2017 to 29.9% in 2023.

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.

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.](#)



Luke Powell

Managing Partner

Who is included in the data?

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 and ethnicity pay gap figures.

How is pay gap different to equal pay?

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 the last page of this report for a full explanation of the calculations performed and key definitions.

Statutory reporting

Employee gender pay gap

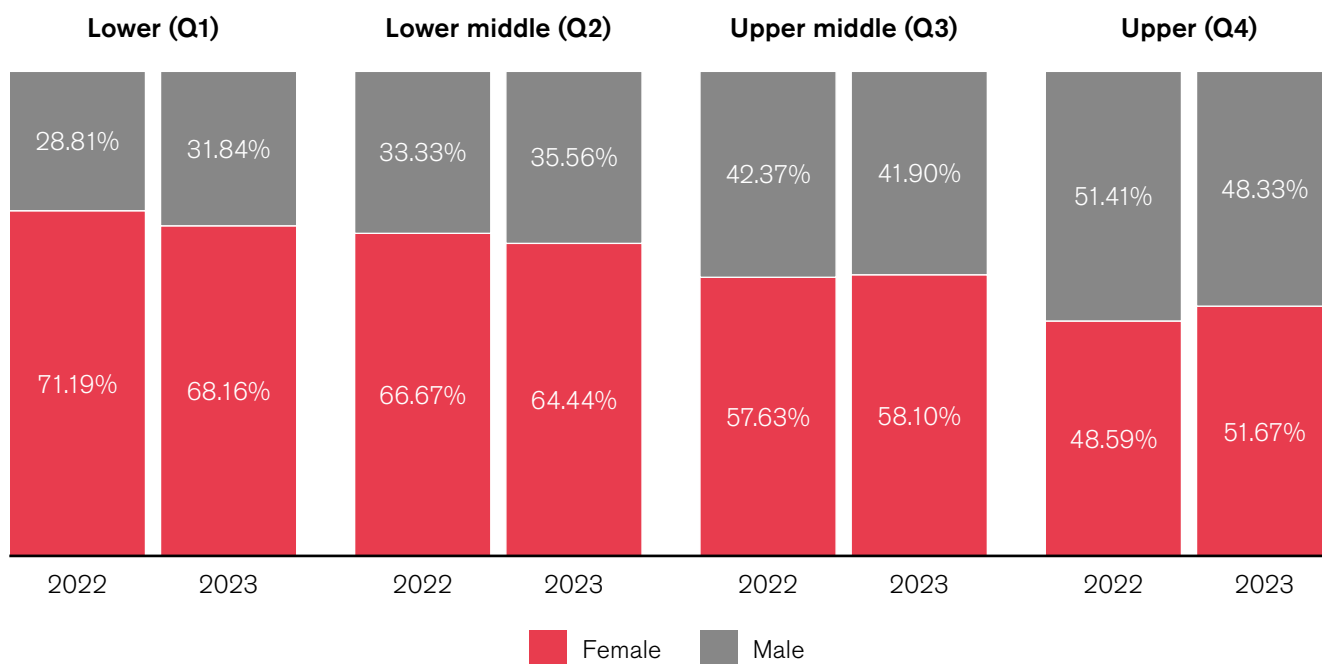
This section shows the difference between the average hourly pay at 5 April 2023 for all male and all female employees, regardless of their role or seniority.

Gender pay gap

	2023 hourly pay gap	2022 hourly pay gap	Variance
Mean	13.55%	19.29%	-5.74%
Median	40.58%	44.63%	-4.05%

Our gender pay gap is primarily driven by the shape of our business. We have a higher percentage of women in our 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.

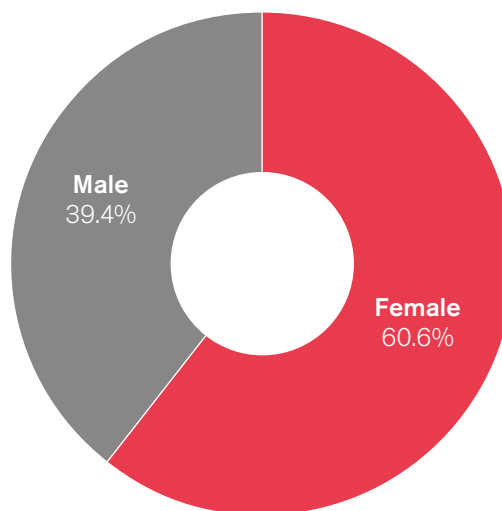
Gender pay quartiles



The graph above shows a slight levelling out of male and female employees year-on-year across the four pay quartiles, with more women progressing into Q3 and Q4, narrowing the pay gap figure.

Macfarlanes gender split

Across the firm, at the 5 April 2023 reporting date, we had a split of 60.6% female employees to 39.4% male employees. This is a similar split to previous years.



Employee gender bonus gap

94.29% of our employees received a bonus last year.

Proportion of males and females who were paid a bonus

	2023	2022	Variance
Female	95.86%	92.59%	+3.27%
Male	91.87%	95.65%	-3.78%

Bonus gap

	2023	2022	Variance
Mean	35.89%	36.71%	-0.82%
Median	28.75%	40.58%	-11.83%

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 2023, 86.9% of women were working full time compared to 96.5% of men.

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 2022 to 5 April 2023.

Gender pay gap analysis

Combined partner and employee pay gap

	2023	2022	Variance
Mean	70.10%	73.32%	-3.22%
Median	49.07%	52.30%	-3.23%

This pay gap is the result of significantly higher levels of remuneration received by partners compared to the rest of the firm (the nature of a partnership structure) and the smaller number of female, particularly senior female, partners. As at 5 April 2023 we had 97 partners – 19 were female and 78 were male.

Partner pay gap

	2023	2022	Variance
Mean	29.94%	32.22%	-2.28%
Median	15.79%	41.15%	-25.36%

There has been an increase in the number of female partners overall, from 18% of the partnership in April 2022 to 20% in April 2023 (with further female partners made up soon after the reporting period in May 2023 - now 24% of the partnership). The pay gap reflects the fact that we continue to have more senior male partners than senior female partners.

Business services (excluding PAs) pay gap

	2023	2022	Variance
Mean	0.72%	-1.00%	+1.72%
Median	9.32%	5.94%	+3.38%

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

Associate pay gap

	2023	2022	Variance
Mean	5.50%	8.67%	-3.17%
Median	7.35%	8.50%	-1.15%

During the reporting period, 55% of associates were female and 45% were male.

There are three key factors that impacted the associate gender pay gap figures for 2023.

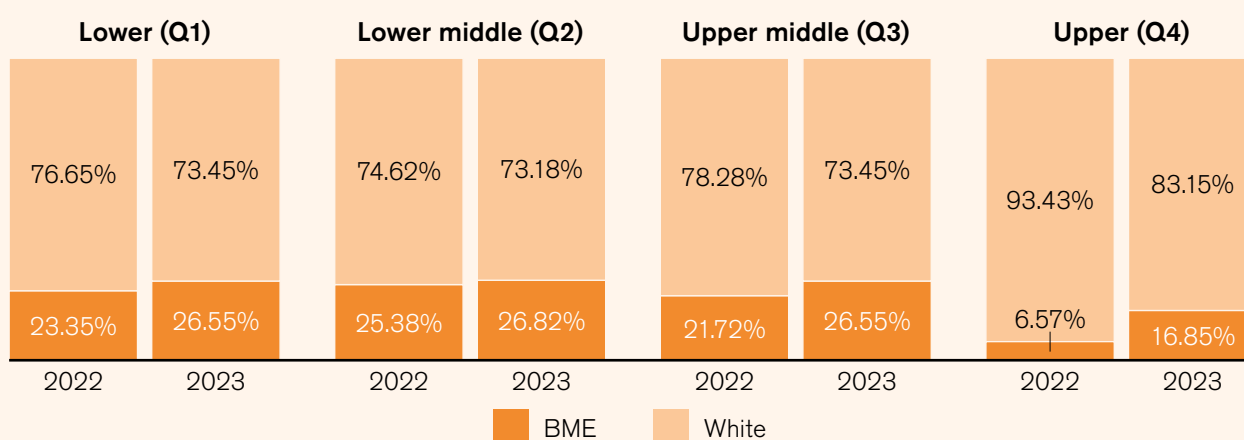
- The pay gap methodology is based on total earnings including bonus payments. New joiners often receive a pro-rated bonus. As we had a greater number of female associates joining the firm during the reporting period, this contributed to the difference in total earnings.
- The pay gap methodology dictates that only employees receiving their full pay should be included in the calculation. Therefore, employees on parental leave, who tend to be more senior, are excluded. Currently, this affects significantly more senior women than men.
- We have an increasing range of specialised associate roles and, at present, more women fill these positions (which typically, are remunerated outside of the standard associate reward framework).

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 black and minority ethnic (BME) and white.

At 5 April 2023, 24% of our employees identified as BME and 76% identified as white. 30% of our trainees identified as BME and 18% of our directors and head of departments identified as BME.

Ethnicity pay quartiles



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

Year-on-year we have seen the number of employees who identify as being from an ethnic minority background in each pay quartile rise, with the largest increase in the quartile receiving the highest pay.

Combined partner and employee pay gap

	2023	2022	Variance
Mean	68.85%	68.39%	+0.46%
Median	42.73%	36.54%	+6.19%

Partner pay gap

	2023	2022	Variance
Mean	6.62%	11.60%	-4.98%
Median	5.08%	17.01%	-11.93%

Associate pay gap

	2023	2022	Variance
Mean	11.20%	9.30%	+1.90%
Median	11.82%	9.08%	+2.74%

As with the associate gender pay gap, the slight increase in the ethnicity pay gap was affected by a larger number of new joiner associates who identified as coming from an ethnic minority background, who would have received a pro-rated bonus or not been eligible for one, impacting their total remuneration.

Business services pay gap

	2023	2022	Variance
Mean	9.19%	8.37%	+0.82%
Median	2.19%	2.33%	-0.14%

Our business services teams cover a wide range of job roles and our ethnicity pay gap for this group is due to more ethnic minority employees at the junior end of the pay scales.

Social mobility pay gap analysis

This 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 further indicators 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 a response rate of 98.7%.

Combined partner and employee pay gap

	2023	2022	Variance
Mean	32.28%	39.32%	-7.04%
Median	45.52%	43.80%	+1.72%

Partner pay gap

	2023	2022	Variance
Mean	16.17%	-3.42%	+19.59%
Median	11.11%	-15.00%	+26.11%

The firm has more socially-mobile partners this year when compared to 2022. However, the widening in our partner pay gap this year is due to a senior socially-mobile partner retiring.

Associate pay gap

	2023	2022	Variance
Mean	-4.37%	-0.12%	-4.25%
Median	-0.60%	-0.52%	-0.08%

Business services pay gap

	2023	2022	Variance
Mean	19.44%	13.12%	+6.32%
Median	2.15%	-4.91%	+7.06%

The increase in the social mobility pay gap for business services this year is due to a larger number of socially-mobile new joiners in the lower pay quartiles.

Definitions and calculations

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

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 in a sorted list of numbers. 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 the sum of all the numbers divided by the total number of items.

Negative gap (-%): a negative percentage figure indicates a pay gap in favour of under-represented groups, for example women.

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 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.



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