

Special Report: Gender Pay

This week saw the deadline pass for all large organisations in the UK to report their gender pay gaps. Having followed this issue closely over the past few months, we have prepared a special report detailing all you need to know about law firm results, and how this reflects on the sector.

What is Gender Pay Reporting?

Gender Pay Gap reporting legislation was introduced to measure the difference in hourly and bonus pay between men and women in the UK. The legislation mandates public and private organisations with more than 250 employees to report their data to the Equalities and Human Rights Commission annually from April 2018. By making organisations aware of the size and causes of their gender pay gaps, this will identify what issues need to be addressed and help employers monitor how effective their actions are in reducing disparity in pay.

Organisations are mandated to report on six measures:

- Mean gender pay gap in hourly pay
- Median gender pay gap in hourly pay
- Mean bonus gender pay gap
- Median bonus gender pay gap
- Proportion of males and females receiving a bonus payment
- Proportion of males and females in each pay quartile

The mean is the average difference in hourly or bonus pay for men and women within an organisation, whilst the median represents the middle number when pay rates / bonuses are arranged from lowest to highest. Because of this, the median is typically considered a more accurate reflection of an organisation's gender pay gap, because this number is less likely to be skewed by large salary and bonus figures.

There has been much criticism of the legal sector for not including equity partners in their gender pay statistics, despite them not being legally obliged to do so. Although some firms have revised their figures to make this data publically available (Clifford Chance, Linklaters, Norton Rose Fulbright, Pinsent Masons), the majority of law firms statistics must be treated with caution as pay and bonus figures of equity partners are not included in the overall results.

Key results: The Law

The below analysis compiles the gender pay data submitted by the UK's top 20 law firms by revenue.

Magic Circle

All magic circle firms reported a gender pay gap in average hourly earnings, ranging from 13.9% at Freshfields to 23.2% at Linklaters. Median pay gap figures showed a higher level of disparity, with Clifford Chance, Slaughter & May and Linklaters reporting gaps of 37%, 38% and 39% respectively. This suggests a greater range of hourly pay between men and women at these firms.

Firm Name	Difference in hourly pay		Difference in bonus pay	
	Mean	Median	Mean	Median
Allen & Overy	19.8%	27.4%	42.1%	23.0%
Clifford Chance	20.3%	37.2%	53.2%	50.7%
Freshfields Bruckhaus Deringer	13.9%	13.3%	41.0%	33.3%
Linklaters	23.2%	39.1%	57.9%	62.1%
Slaughter & May	14.3%	38.5%	33.3%	54.8%

Difference in average bonus pay ranged from 33% at Slaughter & May to 57.9% at Linklaters. However, across the magic circle as a whole, marginally more women than men received a bonus (F=66.24%, M=64.7%).

Across the magic circle, and UK top 20 as a whole, proportionally more women make up firm's lowest pay quartile than the highest. In magic circle firms, 48.9% of women are paid in firm's highest pay quartile, compared to 71.6% in the lowest. This suggests a higher number of female business support staff and part time workers in these firms.

Of these firms, both Clifford Chance and Linklaters revised their figures to include equity partners in their gender pay gap reports. This led to a jump in both the mean and median hourly gender pay gap for both firms, to 66.3% and 60.3% respectively. When considering partner pay alone, Clifford Chance reported a mean hourly pay gap of 27.3% compared to a 2.2% disparity in pay at Linklaters.

Firm Name	Original Pay Gap		Partners Included		Partners Only	
	Mean	Median	Mean	Median	Mean	Median
Clifford Chance	20.3%	37.2%	66.3%	43.6%	27.3%	46.3%
Linklaters	23.2%	39.1%	60.3%	44.2%	2.2%	6.4%

'Other' Top 10

Average pay gaps for other law firms in the UK top 10 narrow slightly, ranging from 15.3% at Hogan Lovells to 24.8% at Ashurst. This is also reflected in figures for the median hourly pay gap, with only Herbert Smith Freehills posting a gap comparable to that of the magic circle.



Firm Name	Difference in hourly pay		Difference in bonus pay	
	Mean	Median	Mean	Median
DLA Piper	17.8%	12.2%	53.6%	0.0%
Hogan Lovells	15.3%	26.0%	47.9%	62.3%
Norton Rose Fulbright	17.0%	23.8%	36.0%	31.6%
Herbert Smith Freehills	19.0%	38.8%	30.0%	10.4%
CMS	17.3%	32.8%	26.9%	30.4%
Ashurst	24.8%	32.7%	64.4%	60.2%

Difference in bonus pay however was more diverse, with the average bonus for men ranging from 26.9% to 64.4% more than their female colleagues. On average, the same amount of men and women were paid bonuses at these firms (56%), and as seen in the magic circle, more women were in the lowest quartile salary band than the highest (77% compared to 52%).

Of these firms, only Norton Rose Fulbright provided equity partner pay and bonuses as part of their gender pay statistics. Here the average pay gap increased to 49% when taking into account the entire workforce, with a 19% mean pay gap between partners. Difference in bonus pay also increased from 36% to 61.1%, with the firm attributing this to there being less senior female partners, and more male partners receiving a bonus than female partners.

Firm Name	Original Pay Gap		Partners Included		Partners Only	
	Mean	Median	Mean	Median	Mean	Median
Norton Rose Fulbright	17.0%	23.8%	49.0%	26.9%	19.0%	17.0%

11-20

Of the 11-20 highest grossing law firms in the UK, the difference in average hourly pay continues to range between 12.8% at Irwin Mitchell and 26.1% at Simmons & Simmons. The median pay gap figure puts the majority of these firms as having gender pay gaps of 20-30%, slightly below that of firms in the top 10.

Firm Name	Difference in hourly pay		Difference in bonus pay	
	Mean	Median	Mean	Median
Clyde & Co	14.3%	20.1%	16.8%	42.3%
Eversheds Sutherland	23.2%	25.5%	42.8%	31.3%
Pinsent Masons	22.4%	22.4%	47.4%	40.0%
Simmons & Simmons	26.1%	27.9%	36.8%	58.8%
Taylor Wessing	13.5%	32.8%	29.3%	53.5%
Berwin Leighton Paisner	22.3%	36.8%	56.4%	32.5%
Bird & Bird	14.5%	27.6%	33.5%	48.9%
Irwin Mitchell	12.8%	15.9%	18.0%	20.0%
Addleshaw Goddard	23.8%	16.4%	43.2%	33.3%

Overall, greater disparity was seen in bonus pay with a greater proportion of firms paying women 30-50% less than their male colleagues. More men in these firms were also paid bonuses – 43.2% compared to 33.3% - and roughly the same amount of women were paid in the highest and lowest pay quartile to firms already analysed (Q1=52%, Q4=77%).

Of the 11-20 firms to report their gender pay, Pinsent Masons were the only firm to provide further information on partner pay.¹ When partners are included alongside employee numbers, Pinsent Masons median and mean gender pay gap almost doubles at 43% and 58% respectively. Disparity in average bonus pay also jumps by 10% to 50%. The firm also revealed a 22% mean and 38% median pay gap between male and female partner pay.

Firm Name	Original Pay Gap		Partners Included		Partners Only	
	Mean	Median	Mean	Median	Mean	Median
Pinsent Masons	22.4%	22.4%	58.0%	43.0%	22.0%	38.0%

US firms

For select US firms in London large enough to report, the mean hourly gender pay gap ranges from 14.8% at Mayer Brown to 39.1% at Latham & Watkins. The median hourly pay gap however is much higher, with all firms reporting above 30%, and Weil Gotshal & Manges and Kirkland & Ellis publishing gaps of 53.3% and 68.2% respectively. This puts this select group of firms as having the highest gender pay gap of those studied.

Firm Name	Difference in hourly pay		Difference in bonus pay	
	Mean	Median	Mean	Median
White & Case	24.0%	31.0%	45.0%	71.0%
Latham & Watkins	39.1%	38.9%	52.3%	83.0%
Kirkland & Ellis	33.2%	68.2%	62.3%	74.3%
Baker McKenzie	17.4%	32.0%	40.3%	29.3%
Dentons	22.4%	34.3%	52.3%	50.7%
Mayer Brown	15.3%	34.2%	23.1%	24.1%
Weil Gotshal	38.1%	53.3%	50.0%	55.8%
Reed Smith	14.8%	37.1%	27.1%	13.2%

The difference in mean and median bonus pay was also higher for US firms, with the majority paying male staff 50-83% more than their female counterparts, with the exception of Reed Smith, Mayer Brown and Baker McKenzie who reported median bonus pay gaps of 13.2%, 24.1% and 29.3% respectively.

Despite the difference in pay amount, only fractionally more men than women received bonuses (F=64.5%, M=65.3%). Unlike UK firms, the majority of women

¹ Despite being reported in the press, Bird & Bird and Irwin Michell did not conduct a full revision of their gender pay figures to include partners.

were paid in these firms third pay quartile, suggesting more women at the associate level.

Reed Smith was the only US law firm to publish revised gender pay figures for partners, although this data was not recalculated to take into account all the firm's employees as a whole. Of the partnership, the firm reported a 0.83% mean and 8% median gender pay gap in hourly pay, and a 21.5% mean and 31% median pay gap in partner bonuses.

Firm Name	Original Pay Gap		Partners Included		Partners Only	
	Mean	Median	Mean	Median	Mean	Median
Reed Smith	14.8%	37.1%	N/A	N/A	0.83%	8.0%

Findings & Conclusions

By analysing the gender pay gap data from the UK top 20 and select US firms, the following findings can be drawn.

Firm Type	Mean Diff. in hourly Pay	Median Diff. in hourly pay	Mean Diff. in bonus pay	Median Diff. in bonus pay
Magic Circle	18.3%	31.1%	45.5%	44.7%
Other Top 10	18.5%	27.7%	43.1%	32.4%
11-20	19.2%	25.0%	36.0%	40.0%
US	25.5%	41.1%	44.0%	50.1%

- **US firms have the largest median difference in hourly pay** by 10 percentage points (41.1%), followed by the magic circle (31.1%), other top 10 (27.2%) and 11-20 firms (25%)
- This suggests a **greater range** in the hourly pay of men compared to women, and accounts for both very high and very low hourly pay rates
- **US firms also have the largest average** (mean) hourly pay gap, followed by 11-20, other top 10 firms and the magic circle
- A higher number of employees in lower paid roles drives the mean hourly gender pay value down compared to the median
- For US and magic circle firms, this is **considerably higher than Legal sector averages** which calculate an hourly median gender pay gap of 25.7% and mean gender pay gap of 24% (ONS)
- US firms have the **greatest difference in median bonus pay**, followed by the magic circle, 11-20 and other top 10 firms
- The gap in pay and bonus allocation is **smallest amongst other top 10 firms**, at 27.7% in hourly pay and 32.4% in bonus pay (median)

Firm Type	% of Women in pay Q1	% of Women in pay Q2	% of Women in pay Q3	% of Women in pay Q4
Magic Circle	48.9%	51.1%	60.2%	71.6%
Other Top 10	52.0%	56.5%	65.3%	77.0%
11-20	54.0%	53.2%	63.5%	65.5%
US	45.1%	55.7%	70.8%	68.6%

- US firms also have the **lowest amount of women distributed in its highest pay quartile** (45.1%), followed by the magic circle (48.9%). Other top 10 firms have the highest amount of women in its lowest pay quartile (77%)
- All types of firms had their highest proportion of female employees in their lowest pay quartile, with the exception of US firms (Suggesting that these firms have a higher relative number of female associates)
- Female employees are **more evenly paid in 11-20 firms**

Firm type	% of employees receiving a bonus	
	Men	Women
Magic Circle	64.8%	66.2%
Other Top 10	56.2%	56.9%
11-20	39.1%	34.6%
US	65.4%	64.5%

- The **biggest disparity in bonus pay** between men and women was in 11-20 firms
- More women were paid bonuses in the magic circle and other top 10 firms, however because of the bonus pay gaps that exist in this area **the value of the bonuses paid are less**

In US firms, for every £1 a man is paid, a woman is paid is paid **58p**
 In the magic circle, for every £1 a man is paid, a woman is paid **69p**
 In other top 10 firms, for every £1 a man is paid, a woman is paid **72p**
 In 11-20 firms, for every £1 a man is paid, a woman is paid **75p**

In conclusion, analysis of law firm gender pay gap data follows conventional thinking that gender pay gaps in hourly rate and bonuses are the largest in law firms that offer the highest remuneration

The disparity in very high salaries and bonuses, usually to senior male partners or core lateral hires, serves to drive the pay gap wider in these firms.

Every firm analysed paid their male employees more, further highlighting the fact that there is a lack of senior (and well paid) women in law firms.

This is the reality despite the fact that data for equity partners is not included. For the limited number of firms who did include partner data, **the average hourly pay gap increased nearly threefold** to just under 60%.

Of the firms that released additional partner data, all revealed a gender pay gap between male and female partners. This shows that it is not just the lack of female partners that is the issue, but their seniority and access to key client relationships.