Written evidence from Linklaters (GCP0020)

Introduction: about Linklaters

Linklaters LLP is a global law firm with 29 offices worldwide and more than 5,200 employees – of whom almost half are lawyers.

Linklaters LLP consists of self-employed equity partners who receive a share of the firm’s profits according to a lock-step model (as explained below) and do not receive remuneration as employees. The vast majority of other UK based staff, lawyers and members of our business teams, are employed by Linklaters Business Services (LBS), a wholly-owned subsidiary of Linklaters LLP.

Our gender pay report is based on the headcount of LBS, as this entity employs more than 250 individuals for the purposes of the gender pay regulations. A summary of our structure, and the number of men and women at each level of the business within the UK, is set out in Appendix 3.

Being leaders in diversity and inclusion (D&I) is an integral part of the firm’s strategy and its commitment as a responsible business. Achieving greater gender balance at all levels, both in the legal and business team population, has been a key strategic priority for Linklaters for many years, with regular reporting of progress to the firm’s Executive Committee and Board.

We published our gender pay gap report on 5 February 2018 (attached as Appendix 1) and were the first of the ‘Magic Circle’ law firms to do so. We began – and devoted substantial resources to – preparing our numbers many months beforehand, recognising the importance of being transparent about gender pay.

We welcome the gender pay reporting requirements as another measure to support us with our work in this area and set out our response to the Committee’s specific questions below.

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1 The ‘Magic Circle’ is a term used within the legal industry to describe a small group of the UK’s top law firms and consists of Allen & Overy, Clifford Chance, Freshfields, Linklaters and Slaughter & May.
Specific questions from the Committee

(a) Whether the annual information related to pay required under the Equality Act 2010 is sufficient? Should any further information be required?

The information currently required under the Equality Act is divided between information that relates to “pay” (defined as basic pay, allowances, pay for piecework, pay for leave and shift premium pay) and information that relates to “bonus pay” (defined as any remuneration that relates to profit sharing, productivity, performance, incentive or commission).

Members of an LLP are expressly excluded from the gender pay regulations; the guidance produced by the Government Equalities Office and Acas explains that the reason for this express exclusion is that LLP members are not “paid”, instead they take a share of the profits, which is not directly comparable with employees’ pay. As a result of this express exclusion, a number of businesses with a partnership structure have not included members in their gender pay reports. However, some firms have included partner remuneration. The exclusion of LLP members under the regulations has led to inconsistency of information in reports.

There are two core issues that the Government would need to consider if it were to choose to extend the gender pay regulations to cover LLP members and we would welcome further clarity being provided on this issue:

1) Members of an LLP do not receive pay (as defined above) and instead receive a share of the LLP’s profits, which would be categorised under the regulations as bonus. Extending the existing regulations to LLP members without amendment could therefore lead to considerable difficulty, both in relation to the numbers reported by a particular entity and the ability for comparisons to be made across organisations/industries.

2) At present, organisations are required to report on a single-entity basis, rather than at a group level. This can lead to some inconsistencies as the gender pay gap of organisations with more complex group structures will be more difficult to ascertain. For example, in many professional service organisations, partners will be members of an entity separate from that of the employees and so, unless organisations report on a group basis voluntarily (as we have), it will still not be possible to see the true picture of an entire organisation even if LLP members are included.

(b) What is the extent of compliance? Is the information accurate?

We have complied fully with the legislative requirements and have provided complete and accurate information in our gender pay report. In addition, we have gone beyond the legislative requirements by providing data in relation to members of Linklaters LLP.

Looking at the broader picture across the legal profession, we are encouraged that all of the top 50 law firms operating in the UK appear to have reported their gender pay gap statistics within the timeframe specified by Government.

(c) How effective are the sanctions for non-compliance with reporting requirements?

While sanctions may currently be limited, we consider that it is too early to judge whether these are effective. Early indications are that the combination of the importance of diversity / inclusion as a business issue, the policy objective behind the gender pay regulations and the public / political attention that gender pay has received – and will likely receive in future – appears to have been effective in getting companies to respond.

(d) What requirements, if any, should there be on companies to address gender pay gaps?

What is needed to improve gender equality, and in turn, to address the gender pay gap, will vary within each organisation. It may prove difficult to address this issue properly through legislation. Requirements to improve by implementing targets, for example, through achieving certain set percentages, may not be appropriate for certain businesses or industries, depending on the inherent causes of their gender pay gap.

In the short term, the increased focus on the gender make-up within businesses is a positive step in encouraging them to look at any imbalances, and how these might be addressed.
The gender pay gap legislation is in its infancy and the Government may find it useful to monitor progress as businesses follow through with commitments to improve or to introduce new initiatives designed to address the gender pay gap. However, progress and meaningful change are likely to take time.

We would suggest that the Government waits to review progress in, for example, three years before determining what further steps to take in relation to this issue.
Supporting information: Linklaters’ gender and diversity strategies

At Linklaters, addressing the gender pay gap is one aspect of our broader global diversity and inclusion strategy which is focused on five priority diversity strands: gender, race and ethnicity, social mobility, LGBT and age. Our D&I strategy is endorsed by our Board and has the full support of our Executive Committee.

We take our gender diversity strategy seriously and the portfolio of work is led by our two Executive gender champions. Our key priority has been improving the gender balance within the Partnership and for women in senior positions. This is something we have been working on well before the new gender pay gap reporting requirements.

It is why we launched our Women’s Leadership Programme in 2012, and set gender targets in 2014, aiming to achieve at least 30% new women partner elections each year, and to double the number of women on our governance and management committees to 30%. We were the first Magic Circle law firm to set these targets.

As is the case for many organisations, our gender pay gap reflects a number of structural and social challenges; there is no one root cause. Our global gender diversity action plan is designed to help us achieve sustainable and meaningful change to our gender balance, through focused and measurable action over the medium to long term.

To achieve our targets, we must rigorously manage our talent pipeline and ensure our promotion processes are fair and free from bias. We offer training to everyone in our firm on unconscious bias and their role in creating an inclusive culture in our firm.

We are proud of the career development support we offer our women, ensuring they are retained and have the best possible opportunities for progression.

We are making progress and are extremely proud that the firm has been recognised as a Times Top 50 Employer for Women for the last five years.

This year, 37% of our new partner promotions, with effect from 1 May 2018, were women. Today, women represent 43% of our Director group, 42% of our Executive Committee and 23% of our Partnership Board.

However, we are not complacent. In the UK, 25% of our Partner and Director group are women. We know we must continue to do more and at a faster pace. This means creating a sustainable pipeline of female talent at all levels by concentrating on how we attract, recruit, retain, develop and progress our female employees.

Our gender pay gap figures: publishing our data

We published our gender pay gap report on 5 February 2018 (attached as Appendix 1.) As stated in the report:

We are confident that we pay men and women fairly for equivalent roles and are pleased that the gender pay gap within each of our four quartiles is small.

The gender pay balance in our upper, upper-middle and lower-middle pay quartiles is encouraging evidence that our efforts over recent years to attract and retain women in more senior roles have begun to pay off.

We have a more significant gender imbalance within our lower pay quartile. The roles that sit within this lower quartile are predominantly secretarial and junior business team positions, and around 80% of these roles are held by women. The fact that so many are held by women has the effect of reducing the average pay of women in our firm, impacting our overall gender pay gap.

This also feeds into our bonus figures because the bonus potential for our secretarial and junior business team roles is lower than for our legal and more senior business team roles.

Significantly more of our female colleagues work on a part-time basis than our male colleagues which has had an impact on our bonus gap because, under the regulations, bonus figures must be calculated based on actual amounts paid, rather than on a full-time equivalent basis. 17% of our female employees work on a part-time basis, in comparison to only 3% of our male employees.
When we first published our gender pay report, we did not include partner figures. This was primarily because we were focused on complying with our legal reporting requirements, which expressly excluded partners. However, we voluntarily published our figures, inclusive of partners and for partners-only, on 29 March 2018. A copy of our press release is attached at Appendix 2. To date, only six law firms have released gender pay figures which include data relating to partners.

**How we make pay decisions**

Our pay structures, and the governance that we apply in making pay decisions, are aimed at ensuring that we pay our people appropriately for their role, at all levels of seniority and for all types of role across the firm, regardless of their gender.

Remuneration ranges for all our employees are set by reference to market rates for the relevant roles, to ensure that we are competitively positioned for the best talent in the market.

In line with market practice, salaries are based on a gender-neutral ‘lockstep’ for c.75% of our lawyers, whereby all lawyers at the same level of seniority (and, in certain cases, performance rating) are paid the same. A similar principle applies to partners’ profit shares which are transparently determined by number of years’ tenure as a partner.

We rigorously scrutinise the data we have available within the firm on the basis of gender to identify trends and issues affecting our entire female population. This includes survey data, performance ratings, promotions, utilisation, work allocation and attrition data. In the context of remuneration, annual salary and bonus decisions are analysed by gender to ensure that they are fair and consistent within teams, divisions and levels of seniority across the firm, before decisions are approved by the firm’s management.

**Supporting our people**

In the UK, we provide a range of benefits for our people, aimed at improving their work-life balance, or supporting them with parenting and / or caring responsibilities, to ensure they remain with the firm and have support to progress their careers. Our aim is to equalise benefits for working parents, and thereby support the progression of women in our firm. Some of these are outlined below:

**Working from Home Policy**: a standard policy enabling all our people who work in roles that are appropriate for home-working to work from home at least one day a week. One of the aims was to counter the assumption that home-working was only for working mothers.

**Maternity / Shared Parental Leave**: a generous enhanced leave policy, offering up to 26 weeks of full pay for all eligible new parents after their child’s birth / adoption.

**Back Up Family Care**: firm-funded emergency care for child and adult dependants.

**Parental Choice**: a family support service including childcare, nanny, and au pair advice.

**Working Parents Portal**: an online toolkit containing guidance for working parents and line managers of working parents.

**Maternity and Paternity Coaching**: 1:1 coaching offered before, during and after parental leave to support our working parents through this period of change.

**Childcare Vouchers**: tax efficient saving for childcare.

**Private Medical Insurance**: coverage extends to eligible party’s partner and immediate family.

**Linklaters’ Family & Carers Network**: an employee-led network providing a range of seminars, events and support services for working parents and carers.

3 May 2018
Gender Pay Report 2017

We are pleased to set out Linklaters’ gender pay report in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

As a Times Top 50 Employer For Women, ensuring gender equality and achieving gender balance is a global strategic priority for us. It is embedded in our strategy and reinforced by our gender targets. It is critical to the long-term success and sustainability of our business that we recruit, retain and promote exceptional talent. In order for us to achieve that, it is necessary that we remove any barriers that may prevent people from diverse backgrounds from realising their potential at Linklaters.

This table shows the mean and median gender pay gap based on hourly rates of pay as at 5 April 2017. It also shows the mean and median difference between bonuses paid to men and women in the 12 months prior to 5 April 2017.

The above image shows the gender distribution at Linklaters across four equally-sized quartiles with the corresponding gender pay gap within each quartile.
Understanding our gender pay and bonus gaps
We have taken a close look at what lies behind our gender and bonus pay gap figures and have concluded that:

- We are confident that we pay men and women fairly for equivalent roles, and are pleased that the gender pay gap for each of our four pay quartiles is small.

- Whilst we still have some way to go, the gender balance in our upper, upper middle and lower middle pay quartiles is encouraging evidence that our efforts over recent years to attract and retain women in more senior roles have begun to pay off.

- We have a more significant gender imbalance within our lower pay quartile. The roles that sit within this lower quartile are predominantly secretarial and junior business team positions, and around 80% of these roles are held by women. Whilst these roles are competitively rewarded with reference to the market, the fact that so many of them are held by women has the effect of reducing the average pay of women in our firm, impacting our overall gender pay gap.

This also feeds into our bonus figures because the bonus potential for our secretarial and junior business team roles is generally lower than for our legal and more senior business team roles.

- In addition, significantly more of our female colleagues work on a part-time basis than our male colleagues which has had an impact on our bonus gap because the Government has specified that bonus figures are calculated based on actual amounts paid, rather than on a full-time equivalent basis.

It was helpful to conduct this exercise as it has provided us with some new insights and ideas to add to our already comprehensive gender diversity programme.

Achieving greater gender balance at Linklaters
Whilst our equity partners are not included in these figures, women currently make up 23% of our UK partnership. We are working hard to increase this number and achieve our strategic goals in relation to gender diversity. We are pleased that currently 42% of our Executive Committee, 23% of our Partnership Board, and 43% of our Director group are women.

We recognise that we have more work to do to achieve greater gender balance at all levels of the firm. Meaningful change will take time and sustained focus, and we are committed to the following actions:

- Public transparency of our gender goals at least 30% new women partner appointments each year, and at least 30% of positions on our governance and management committees being filled by women.

- Applying a more rigorous approach to the gender mix of candidates at all levels during our recruitment processes, partner elections and promotion to senior leadership positions.

- Ensuring women have greater development and sponsorship opportunities through our flagship development programmes, including our Women’s Leadership Programme, coaching support for more junior women associates and our Women Partner Programme to support partners into management positions.

- Being agile in our approach to career paths offering all our people, men and women, the opportunity to work in a flexible way throughout their careers.

- Ensuring gender equality is everyone’s responsibility. We are launching HerToShe to highlight the role of men in achieving gender equality.

- We are committed to providing fair and competitive rewards to all our people, irrespective of gender.

We confirm that the data reported is accurate.

Gideon Moore
Firmwide Managing Partner
LBS Director

Chris Lynch
Director of HR
LBS Director
Linklaters submission for BEIS Select Committee: Corporate Governance delivering on fair pay inquiry

Appendix 2

Linklaters' partner figures

**Linklaters: additional figures on gender pay gap report**

We appreciate the need to be as transparent as possible and are issuing gender pay gap figures today, 29th March 2018, including our partner numbers. We were the first of the Magic Circle to release our gender pay gap figures earlier this year, in accordance with UK regulations. We are now publishing additional detail.

As a Times Top 50 Employer for Women, ensuring gender equality and achieving gender balance is a global strategic priority for Linklaters. It is embedded in our strategy and reinforced by our gender targets, which this year we exceeded, in appointing 37% new female partners. We will work hard to keep up the momentum on achieving this, and our other diversity goals.

We remain confident that we pay men and women fairly for equivalent roles.

Our updated gender pay gap figures* are as follows:

- Partners Only Mean Pay Gap: 2.2%
- Partners Only Median Pay Gap: 6.4%
- All Firm Mean Total Earnings: 60.3%
- All Firm Median Total Earnings: 44.2%

*As Partners are remunerated as a share of the Firm’s profits, it is not possible to include this on a like-for-like basis with the statutory figures. Only UK Partners have been included in the figures.
Structure of the Firm

**Lawyers**
- Partner: 148 (Male: 116, Female: 33)
- Counsel: 22 (Male: 19, Female: 3)
- Managing Associate: 116 (Male: 90, Female: 26)
- Associate: 217 (Male: 108, Female: 109)
- Trainee: 115 (Male: 33, Female: 82)

**Business Teams**
- Director / Associate Director: 10 (Male: 9, Female: 1)
- Senior Manager: 19 (Male: 18, Female: 1)
- Manager: 125 (Male: 101, Female: 24)
- Adviser: 100 (Male: 200, Female: 0)
- Assistant: 1 (Male: 1, Female: 0)
- Secretary: 215 (Male: 161, Female: 54)