



# *Diversity analysis*

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## Foreword



In recent years, ICAEW has made a number of important strides to develop diversity and social mobility within the profession. I welcome this analysis and assessment of the diversity of ICAEW firms, be it limited at present to firms licensed by ICAEW for the reserved legal service of probate as part of a regulatory process monitored by the Legal Services Board (LSB).

In developing the reach of services by firms, the diversity of current and future customers and the underlying resources able to serve those markets provide an important springboard to new opportunities for our firms. This report focuses primarily on the firms and their resources, but this in itself is an important assessment to help practices evolve the mix of resources by providing peer comparisons and market positioning information.

The data set relates to 270 of the 12,000 firms registered with ICAEW. It provides a microcosm and example of the underlying diversity of accountancy firms. Some of the dynamics noted are already known at an overview level. This data provides an evidence-based platform and starting point for us to develop new policy and monitor progress in the years ahead.

The report demonstrates that though diversity has not been previously monitored through the profession on this scale, the firms already exhibit many of the hallmarks of a diverse workplace and are not unrepresentative of the communities in which they provide their services. There are areas for further examination and improvement. The report is a catalyst for action and some of the necessary steps are noted as already underway. I am grateful to the firms and their staff who have contributed to this review despite some of the difficult areas of disclosure.

ICAEW and the accountancy profession have service of the public and the public interest at the centre of its activities. I believe the development of its diversity and access to the profession agendas illustrated through this review will ensure it continues to be relevant and effective in meeting these goals.

A handwritten signature in black ink, appearing to read 'Nick Parker', with a long, sweeping flourish extending upwards and to the right.

**Nick Parker**  
President ICAEW  
15 September 2017

# 1. Executive summary

This report sets out the results of diversity monitoring by ICAEW firms licensed for the reserved legal service of probate as at 31 March 2017. The data is intended to help practices identify new areas for growth in the delivery of their accountancy and legal services and to allow benchmarking with similar practices and the wider marketplace. This builds on the research undertaken in compiling the ICAEW leadership paper *Tomorrow's Practice*.

The data informs ICAEW and its stakeholders about the relevance of itself and its member firms to the wider population as equal opportunity employers and as a supplier of personal professional services to the UK public. It also meets a number of statutory and regulatory obligations that fall to ICAEW as a regulator under the Equality Act 2010 and the Legal Services Act 2007 (LSA07).

ICAEW regards the diversity objective in the LSA07 as covering type and shape of accounting/legal practice as well as the characteristics of those that work for it. The development of alternative business structures (ABSs) under Part 5 of the LSA07 are key aspects of this. ICAEW is the second largest licensor of ABSs and the nature and content of those firms form part of the review.

The returns of the firms have been aggregated and summarised into segmental information, and supplemented with information from the ICAEW annual return that probate licensed firms are required to submit annually. These results have been compared against the member firms as a whole and against data reported by the Solicitors Regulation Authority (SRA) and the Office for National Statistics.

The overall statistics about the shape of firms indicate that while ABSs form the major part of the licensed firms, the presence of qualified professionals other than accountants in these firms is currently low but expected to grow. The holding of an audit licence by over half the firms indicates that many are keeping their development options open.

In terms of the protected characteristics, gaps and variances have been identified in some of the probate firm profiles. In particular the reported presence of Afro-Caribbean, Muslim and gay staff appears low compared with national averages and those of the SRA. This evidence underpins a perception emerging from social mobility statistics.

The social mobility figures are encouraging. Less than half of those working for ICAEW probate practices attended university, suggesting good accessibility from secondary schools. The data informs the work already being undertaken by ICAEW's student recruitment team in this area to support the government-led agenda.

This report notes the current position and the series of actions already in place, or being proposed, to enrich the diversity of practice. These include research into the general area of diversity, LGBT networks and the Afro-Caribbean culture and promotion of gender balance and ethnic engagement. The findings will help shape and direct future investment. Future monitoring exercises in 2019 and beyond will help track the outcomes from these initiatives.

The diversity monitoring exercise has been a new initiative for ICAEW. It has required a new and brave commitment and engagement by the ICAEW probate licensed firms and their staff. The outputs are informative and compelling, and provide a good information base for firms and ICAEW to build stronger practices for the future.

## 2. Introduction

### BACKGROUND

1. Diversity is an attribute of our society that has become a business imperative. It has become clear that the mix of background, skills and capability give rise to a fresher way of looking at things and servicing an increasingly diverse market. It covers the way we interact with our colleagues and staff as firms and employers and how we service the market as individuals and as groups of society.
2. ICAEW has always been aware of the importance of diversity in terms of engagement at the personal level, and the behaviours are intrinsic in the ethical standards of the profession.<sup>1</sup> However, the importance at a business level in how the market should be approached and supported has come increasingly to the fore in recent years through the social attitudes underpinned by the Equality Act 2010 and, at a practice level, the Legal Services Act 2007 (LSA07).
3. ICAEW is fully committed to the promotion of diversity, equality and inclusion in all areas of its work, both as an employer and as a regulator, as part of its role in serving the public interest.

### BUSINESS IMPERATIVE

4. There is a business imperative around diversity which is becoming increasingly recognised. The reported information is intended to be a catalyst for firms strategically to consider:
  - The mix and ratios of their staff in the light of current trends and peer practices.
  - The profile of a firm's resources and how they play to the diversity of the customer base which they serve.
  - The diversity of insight and skills that is being brought into practices that can trigger innovation and expansion of market.
  - The direction of shape mix and staff ratios within practices.
5. However there are also a series of legal obligations associated with diversity and monitoring which are set out below.

### STATUTORY OBLIGATIONS

6. Under the Equality Act 2010, ICAEW is listed in Schedule 19 as one of the public bodies which is required to meet the Public Sector Equality Duty under section 149 of the act. The act refers to an obligation to have 'due regard' to the principles set out in section 149; as case law has emerged around what that looks like in practice, ICAEW has responded through the establishment of working groups to monitor progress against the duty. Key responses as a body have included:
  - In 2015 all regulatory committees brought lay parity to their membership as part of the regulatory governance changes.
  - Also in 2015, the equality duty was included in all committee terms of reference.
  - In 2016 a diversity advisory group was established to advise the Board and Council on diversity issues affecting the profession.
7. The Legal Services Act 2007 lists as one of the eight statutory objectives the 'promotion of diversity in the market'. In 2011 and in September 2016, the Legal Services Board (LSB) set out its understanding of how that objective should be applied across the regulated legal sector. As part of this assessment there is an expectation that the regulated bodies would monitor the development of diversity within the firms they regulate.
8. In August 2014, ICAEW became accredited as an approved regulator and licensing authority for the reserved legal service of probate. We have recently submitted applications to the LSB to be accredited for the other reserved legal services. As a consequence ICAEW is now subject to the oversight of the LSB and has to comply with its direction.
9. Some of the information revolves around the protected characteristics under the Equality Act 2010 but other elements are simple business dynamics reflecting the mix of type of practice that serve our communities. As this is the first significant exercise of its type, the figures provide a baseline to monitor future changes in the profession, and the impact of any initiatives the profession may have around social mobility and expansion of the practice. This is particularly relevant to alternative business structures (ABSs) licensed under the Act.

<sup>1</sup> In particular ethical standard 150 governing behaviours towards colleagues and clients

## 3. Scope

### GENERAL

10. This report provides an overview of ICAEW probate firms' diversity monitoring data as at 31 March 2017. The data has been collected pursuant to Probate Regulation 2.6(e).
11. The scope of the monitoring exercise has been confined to firms that were registered by ICAEW to carry out the reserved legal service of probate. At 31 March 2017 there were 270 firms accredited by ICAEW, of which 90 were authorised firms and 180 licensed as ABSs.
12. Although ICAEW regulates over 12,000 firms in its other regulatory areas of responsibility, there is no statutory obligation for these firms to carry out formal diversity monitoring of their partners and staff. A number of these firms, however, do apply diversity monitoring as part of their business strategy and therefore ICAEW will give consideration in the future to extending the reporting requirement across its wider areas of oversight.
13. As at 30 April 2017 (the date at which aggregation of the data was initiated) 105 firms with 3,299 staff representing 47% of the regulated firms had supplied data for aggregation. The firms are required to publish the data on their websites in a format of their own choosing. They are also required to take account of critical mass to assure the anonymity of staff. Firms that missed the 30 April deadline have been asked to continue with the monitoring exercise and publish their data in order to underpin their commitment to the diversity principles set out in the LSA07.
14. The data available at 1 May 2017 was published as an infographic on [icaew.com/probate](http://icaew.com/probate). Data has been received after this date, and consequently for the analysis undertaken in this document the source data was 131 firms with 3,615 staff.

### HOW THE DATA WAS COLLECTED

15. In December 2016, firms were asked to make preparations for the diversity return. An external data provider offered to help the firms, especially where confidentiality was considered to be an issue. The formal request was issued to firms in January 2017 along with a template for the return to facilitate the reporting. The reporting data was set as at 31 March 2017 and firms were asked to submit their data by 30 April 2017.
16. The reporting template was developed based on best practice requirements in this area; due regard has been made to the preferred template of the LSB as part of their 2011 guidelines, the approach of the SRA, the government guidelines on social mobility, and the recommendations of Stonewall with regard to orientation and gender identification. It includes most of the protected characteristics set out in section 4 of the Equality Act 2010 and noted in Appendix A to this report, but excludes marriage and maternity which are considered not directly appropriate for monitoring in this exercise. The outcomes for these two characteristics are linked to caring responsibilities which are reported upon.
17. The data covers all employees including principals, qualified and non-qualified staff and support resources.
18. Additional data has been drawn from the ICAEW annual return which all ICAEW firms must complete each year. This has facilitated some analysis for all the 270 licensed probate firms and enabled comparisons to be made across the member firm profile as a whole. The annual returns are submitted on a rolling cycle basis with a twelfth of the firms sending returns each month. Consequently the data used is not a snapshot at 31 March but a rolling summary collated over the previous 12 months.

## COMPARISONS

19. To benchmark the results and set context, comparison has been made, where appropriate, to legal firms through statistics kindly shared by the SRA. Analysis has also been drawn from data reported by the Office for National Statistics, particularly from the 2011 Census. Reference is also made to other source information where relevant.

## GOVERNANCE

20. ICAEW is indebted for the support provided by the SRA in developing processes and data enabling a cross professional services assessment to be made.
21. The initiative has been overseen by a project board chaired by the ICAEW President, Nick Parker, with representatives from the Probate Committee which has endorsed the approach taken. The ICAEW Regulatory Board has also monitored the steps that have been taken.

## STRATEGIC INTENT

22. This report is a start point against which future assessments will be used to assess the impacts of policy and the marketplace on the diversity and strategy of practice. In particular it will be used to monitor:
- The development of ABSs and the mix and type of service being offered by these entities.
  - The changes in practice foreseen in *Tomorrow's Practice*,<sup>2</sup> a strategy paper published by ICAEW in 2016, focusing particularly on types of work style, resource and new forms of service delivery.
  - Movement in social mobility in terms of access to the profession.
  - The general profile of the profession to the marketplace.
  - The impact of government policy on markets and related diversity factors.
23. This document can also be used as a reference point for accountancy firms to benchmark their practices against and to consider the broader diversity issues that might arise in their practice as a consequence.

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<sup>2</sup> *Tomorrow's Practice* [icaew.com/tomorrowspractice](http://icaew.com/tomorrowspractice)

## 4. Firm dynamics

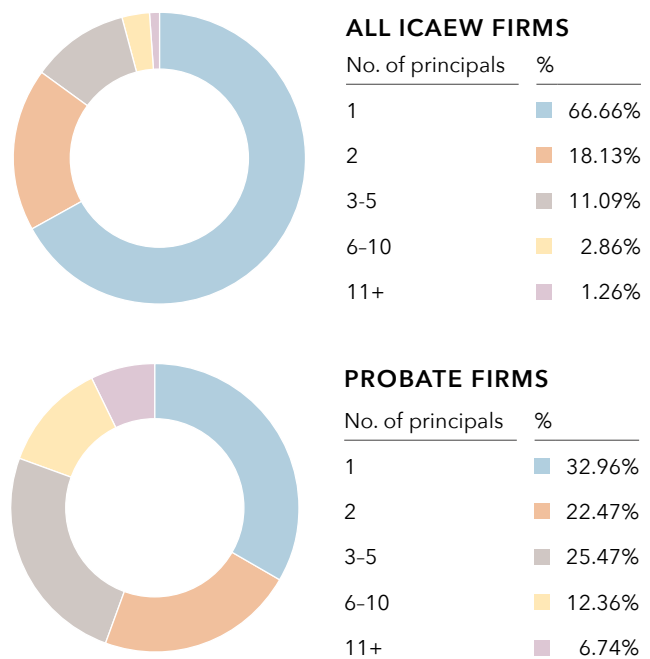
24. The firm dynamic data addresses the diversity of the firm from the perspective of its service offering and the skill base of the resources it uses. These are important metrics that cover the development of the ABS as a new vehicle for the supply of legal and other services. These baseline figures will be closely monitored against in future diversity assessments to track the evolution of ABSs.
25. The data that has been used for the assessments includes information secured from the annual return and other regulated areas.

### FIRM SIZE

26. The size of a firm is itself an indication of the range of options available to the consumer of legal and accounting services in the market. A sole practitioner will tend to be niche in the services they offer, while a multi-partner small practice offers a wider range of service, be that also around niche industry or demographic expertise. The bigger practices are able to provide more generic types of service although niche areas may be a hallmark of their brand.
27. The profiles evident in the annual returns of the firms show the following comparison based on the numbers of principals within the firms.
28. The size of firm that has engaged in the supply of the regulated service of probate has been consistent with the overall profile of the 12,000 firms regulated by ICAEW as a whole. When ICAEW was designated in August 2014, it was anticipated that sole practitioners and small firms would be the principal authorised firms. It was also anticipated that as most of their principals would be approved as authorised individuals, firms would be authorised rather than licensed as an ABS.

29. This would have mirrored the overall mix of firms which has 67% of firms as sole practitioners.
30. In practice the ratio has proved to be the opposite, and ABSs and multi-partner firms have proved to be the dominant participants. The size mix of probate firms seems to be well distributed over different firm sizes, indicating a healthy market choice which the legal services legislation and ICAEW's designation was meant to encourage.

FIGURE 1  
Firm sizes



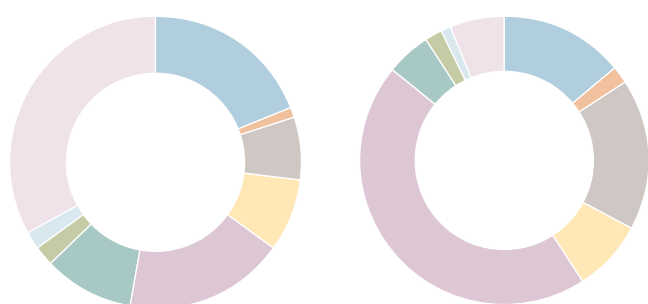
Sources: ICAEW annual returns 2016 at 31 December 2016, excluding firms that do not report revenue.



## FIRM SERVICE PROFILE

31. In 2016 the ICAEW annual return was modified to include turnover figures, and in 2017 these analyses were further refined to include previously excluded turnover figures including insolvency. The information extracted needs to be treated with a degree of caution as the numbers are unaudited, but it is considered sufficiently reliable upon to draw some general observations. The service profile is shown in the table below.

**FIGURE 2**  
Service profile



### ALL FIRMS

Service	%
Audit	18.86%
Financial services	0.61%
Tax compliance	7.39%
Tax advisory	7.90%
Accounting	17.70%
Consultancy	9.96%
Corporate finance	2.54%
Forensic	2.41%
Other	32.63%

### PROBATE FIRMS

Service	%
Audit	14.05%
Financial services	2.35%
Tax compliance	16.78%
Tax advisory	8.52%
Accounting	44.81%
Consultancy	4.70%
Corporate finance	2.15%
Forensic	0.89%
Other	5.75%

Sources: ICAEW annual returns 2016 at 31 December 2016 for all firms, and data at 31 May 2017 for probate licensed firms.

32. In 2016 the accounting segment was defined as book-keeping and the firms reporting earlier in the year will have reported other general accounting they carry out. The probate firms, however, have been able to analyse the newly defined segment, and this accounts for the unequal split between the two tranches.

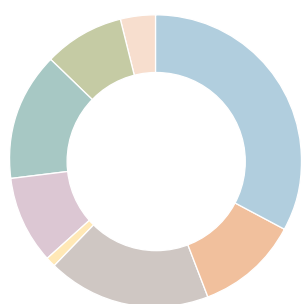
33. Some further sophistication is required to determine the turnover definitions, but at this point there are two interesting trends; firstly the firms supplying probate services report 25% of their revenues emanating from tax work compared with 15% overall. The probate licensing and ABS development are intended to provide a wider mix and choice to the consumer, especially as a one-stop shop, and therefore the firms are expected to have a greater ratio of tax work and other services to the individual than other practices which work more predominantly with the business sector. This trend is not unexpected and is identified as a key development in *Tomorrow's Practice*.

34. A second interesting feature is that 14% of the revenue of probate firms comes from audit. Indeed 171 of the 270 probate registered firms (63%) are registered for audit, which compares with 3,000 or 25% for ICAEW's overall firms. This suggests more complex strategic decisions are underway within firms and an evolving sophisticated market strategy.

## QUALIFICATION

**FIGURE 3**

Responses to question 'Which category of role best describes your position in the firm?'



### ICAEW

Professional qualification	%
ICAEW Chartered Accountant	33.05%
Other Chartered Accountant	11.18%
Other accountant	18.01%
Legal	1.37%
Other profession	9.48%
Direct support staff	14.35%
Other	8.74%
Prefer not to say	3.82%

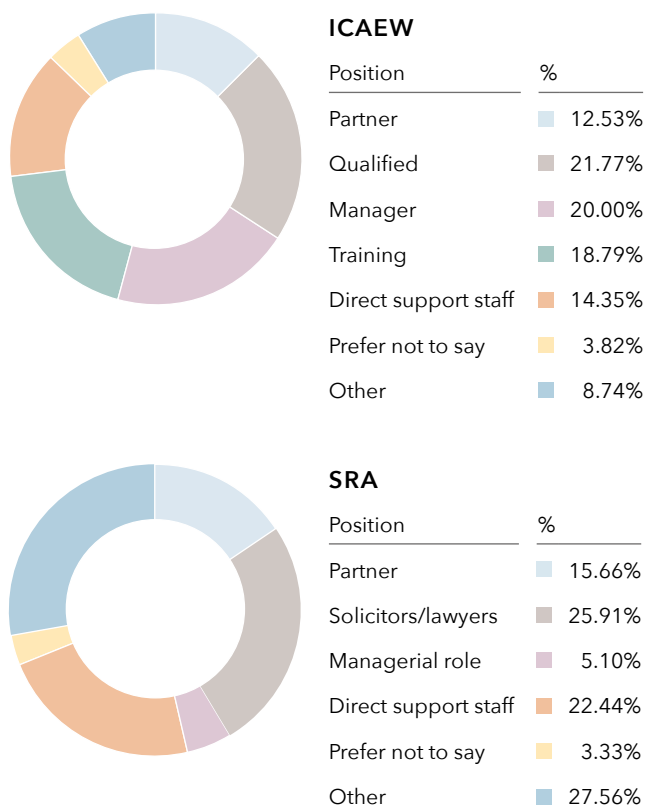
Source: ICAEW probate authorised firms diversity questionnaire March 2017.

35. It is interesting to note from this table that only a third of the resources employed by the licensed firms are members of ICAEW. This would appear to infer that the practices themselves provide a wider professional service delivery with other services being marketed alongside accountancy and law. The ratio of other professions (9.48%) is an interesting feature and one that is expected to grow in the next two years.
36. The most surprising ratio within the table is the legally qualified individuals working within the practices – they represent only 1.37% and a headcount of 53 out of a total reporting resource of 3,615. This compares with 18 lawyers representing 2.40% of the data collected at March 2015. The introduction of ABSs was meant to encourage the development of a wider range of businesses through which legally qualified individuals could practise, but the figures suggest this has had a limited impact so far.
37. There were some restrictive rules operated by the SRA constraining the mobility of legally qualified individuals when ICAEW was first able to license. A relaxation of these rules in the last couple of years should provide a greater opportunity for legal participation in ICAEW ABSs. In addition ICAEW's proposed move into licensing other reserved legal services should widen the scope for practice by those legally trained.
38. As the number of ABSs increases, and the potential from the wider range of reserved legal services licensed by ICAEW takes effect, it is forecast that the ratio of lawyers in accountancy led practices will increase markedly over the next four years, with a step change in this direction being evident in the reporting for 2019.

## POSITION WITHIN FIRM

**FIGURE 4**

The grading of staff within the ICAEW probate licensed firms and the comparison with those in the legal profession.



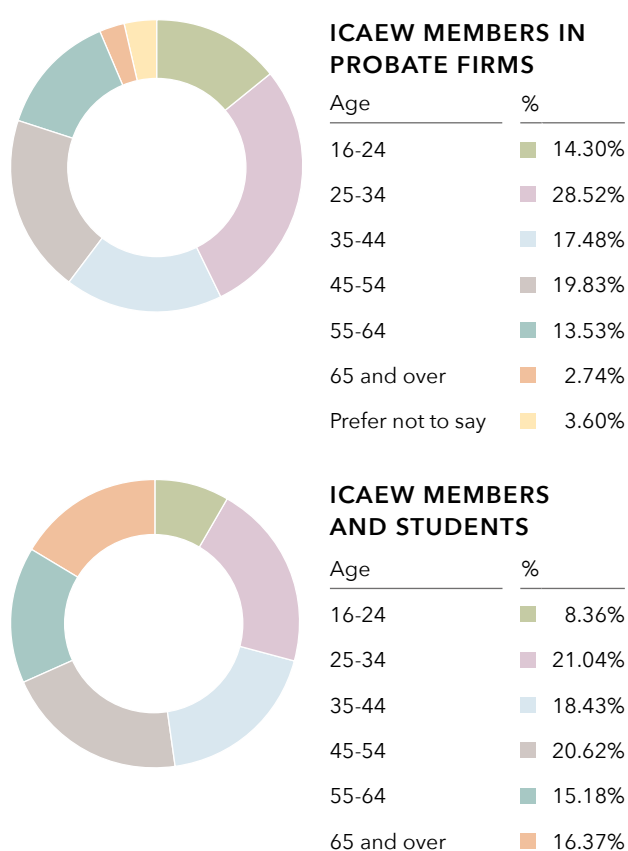
Sources: ICAEW probate authorised firms diversity questionnaire March 2017, SRA raw firm diversity data October 2015.

39. The grading structures between the two professions differ so comparisons are not easily made; continued engagement with the other regulators on commonality of reporting should facilitate this better in future years.
40. The ICAEW firms indicate a ratio of 7 staff to 1 partner. In comparison, SRA firms indicate a ratio of 6:1. This suggests this aspect of practice appears to be consistent across the two professions. *Tomorrow's Practice* forecasts there will be a gradual move to using more resource on a consultancy basis rather than directly employing people; we therefore expect the partner/staff ratio to decrease in the next few years with this change starting to become evident in the 2019 data.
41. The ratio of support staff to other staff of 1:6 is a ratio consistent with the profile of practice over a number of years and is perhaps a little surprising given the changes in the marketplace and technology. It was thought that, with the onset of word processing and staff typing their own material, there would be limited scope for secretarial staff, but rather than a reduction in numbers, the support service personnel appear to have evolved into new practice support areas such as IT and web services.
42. The trend shows two drivers; some of the support will be outsourced (increasing the ratio), or direct PA type support is retained for the lead principals while the number of employees is reduced. The net effect therefore is expected to be a similar ratio in 2019.

## AGE

**FIGURE 5**

The age profile of ICAEW members working in probate firms compared to the statistics for ICAEW membership.



Sources: ICAEW probate authorised firms diversity questionnaire March 2017 and ICAEW member and student data reported to the FRC at December 2016.

43. The age profile of ICAEW members working in the probate firms appears to be much younger than the profile of the membership of ICAEW as a whole. 60% of the employees of probate firms are under 45, whereas 48% of the membership are in this category. In part this is due to the membership including a number of retired and semi-retired individuals who are no longer in full-time practice. Even if the over 65 ratios are excluded, the profile of under 25s is much higher in probate practices.

44. Data shared with the FRC<sup>3</sup> show that 83% of ICAEW's students in 2012 and 80% in 2017 were in practice. With the increased use of ICAEW apprenticeships within industry as well as practice it is expected that some of these ratios will show a reduction in practice ratios. But within the probate firms we expect the ratio of students to total staff to continue and indeed increase as the employment status of qualified staff changes to consultancy. The under 25 profile is also likely to evolve to include student lawyers as well as student accountants. This is already happening with the larger accountancy firms as illustrated by EY's Law Graduate Programme.<sup>4</sup> Some of the programmes listed in Appendix B are mechanisms to achieve the aims noted here.

<sup>3</sup> FRC Key Facts and Trends in the Accountancy Profession 2012 and 2017

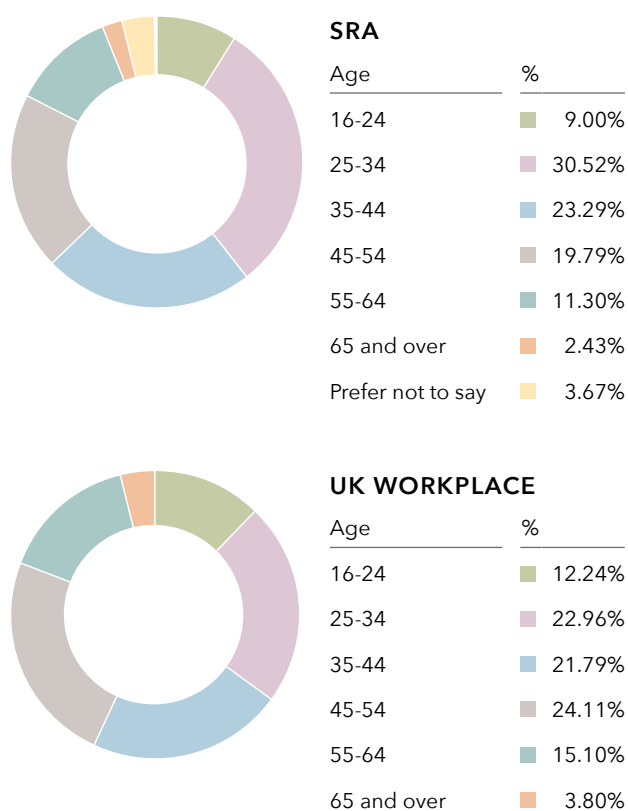
<sup>4</sup> EY website <http://ukcareers.ey.com/graduates/our-programmes/graduate-programmes/law-gp>

## AGE

**FIGURE 5A**

Age profile.

A comparison of SRA and UK workplace statistics.



Sources: SRA raw firm diversity data October 2015 and Organisation for Economic Co-operation and Development (OECD) statistics 2016.<sup>5</sup>

45. At first sight the SRA profile appears consistent with that of ICAEW probate firms. But on closer inspection, ICAEW has a greater ratio of under 25s (14%) in practice compared to the SRA's 9%. On the other hand the ratio of 35-44 is greater in the SRA (23%) compared with ICAEW's 17%. Research<sup>6</sup> by the Legal Services Board and the CLC indicated that ABSs are more likely to be investing than other firms. This investment will include developing new employees. It is thought that the profile here is consistent with those findings.

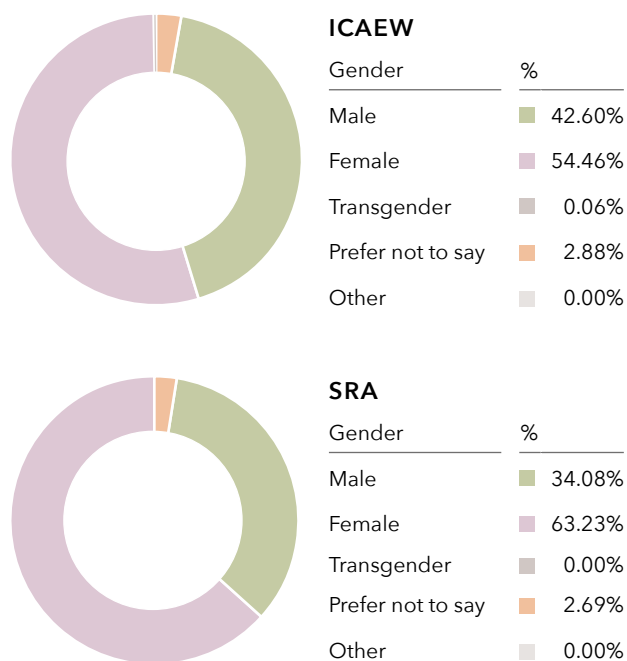
46. The UK workplace statistics indicate that 12% of those employed in the UK workplace are under 25. The 14% ratio of the probate firms provides a healthy comparison against this. On the other hand, 19% of the national workforce is aged 55 and over compared with 16% of the probate firms and 14% of the firms registered by the SRA. This is in contrast to the membership of ICAEW where 32% are over 55. With the decline in defined benefit scheme pensions and the opportunities offered by selling a specialist skill part time, it is expected the ratio of over 55s in work in the sector will increase markedly in the next 10 years with this trend being evident in the 2019 data.

<sup>5</sup> OECD website <http://stats.oecd.org/Index.aspx?QueryId=64196>

<sup>6</sup> ABS and Investment in Legal Services 2011/12 - 2016/17

## GENDER

**FIGURE 6**  
Responses to question 'What is your gender?'



Sources: ICAEW probate authorised firms diversity questionnaire March 2017, SRA raw firm diversity data October 2015.

47. The ratio of female to male is reported at 54% to 43%. This is in contrast to the SRA statistics that show nearly 2/3<sup>ds</sup> of the workforce are female.<sup>7</sup> ICAEW's worldwide membership shows female ratios at 28% at December 2016, though this should increase as the student ratios at that date are 42%.<sup>8</sup> The data request to the probate firms did not ask for the gender split across the grades. The annual return data for the probate firms included a gender analysis of responsible individuals where the ratio is 70% male and 30% female. This an encouraging feature of the developing ABS firm and is to be contrasted with the profile of audit responsible individuals where the ratio in ICAEW registered firms is 85% male.<sup>9</sup>
48. ICAEW is engaged in a number of initiatives to break the glass ceiling and promote the development of women within the profession; it is consequently expected that the gender ratios will improve at the partner level in future reporting periods.
49. The ratio of transgender staff is reported under this exercise for the first time. The 0.06% represent two people who were comfortable enough to declare this. Transgenderism is an aspect of society that has only recently been researched and brought to the fore, and so it continues to be a sensitive matter that few people are prepared to declare in the workplace. The ratio 'prefer not to say' which is at just under 3% for both the legal profession and the probate firms, suggests that there may be some additional individuals who may fall into this category.
50. As the social acceptability of transgenderism evolves in society and the workplace, it is expected that the disclosure will be more fulsome in future years. ICAEW will seek to help firms and their employees to facilitate this change, and the 2019 data should be a benchmark of progress in this area.

<sup>7</sup> At qualified lawyer level, the SRA female ratio is 47%

<sup>8</sup> FRC Key Facts and Trends in the Accountancy Profession 2017 p52

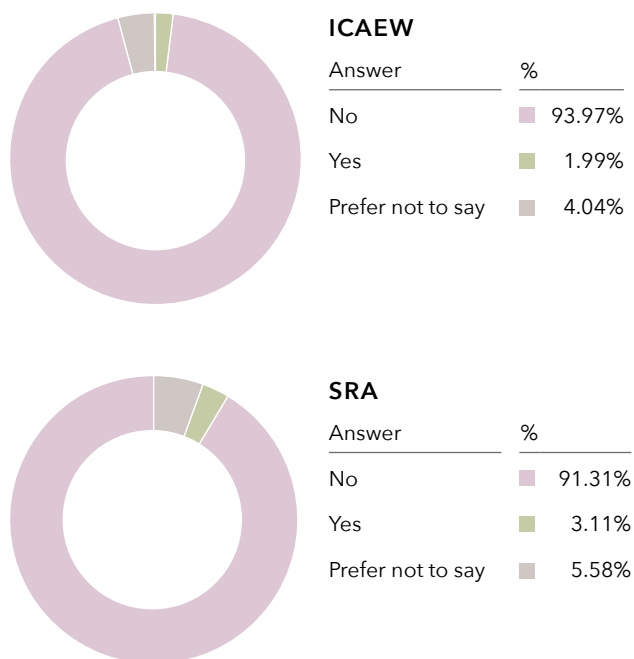
<sup>9</sup> IAASA Profile of the profession 2016 annual return data

## 5. Other protected characteristics

### DISABILITY

FIGURE 7

Responses to question 'Do you consider yourself to have a disability according to the definition in the Equality Act?'



51. According to figures produced by the Papworth Trust<sup>10</sup> around 8m people in the UK suffer a disability, of which only 4m are in employment. The 4m represents 10% of the current working age population. The ratios above therefore suggest that both the legal and accountancy professions are not particularly strong in representing this minority. In addition, the reluctance to state one's status may suggest there is still a stigma attached to the status which could relate to ethos within a firm or the response of the marketplace.

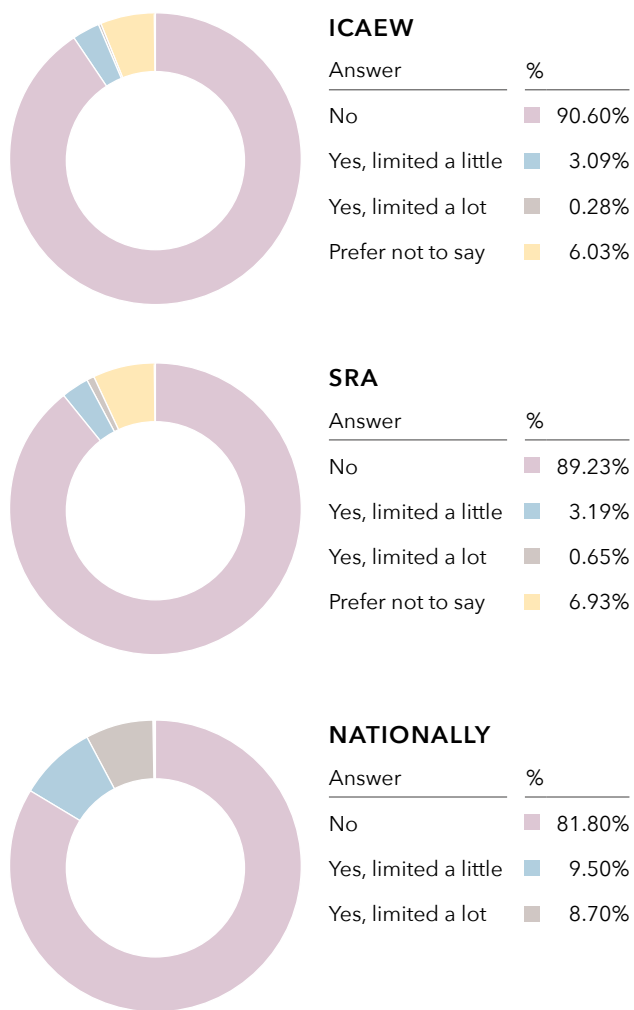
52. There are two developments which are likely to change these statistics and encourage greater participation in both the legal and accountancy professions in the next few years. One is the series of initiatives around social mobility where firms are starting to develop paths into the professions outside the traditional university and tertiary education routes. The second is the evolution of the virtual office as foreseen by *Tomorrow's Practice* where staff work increasingly from home and service delivery can be made without the need for transport. The figures for 2019 are expected accordingly to show a step change to come into line with the national averages.

<sup>10</sup> Disability in the UK 2016 facts and figures <http://www.papworthtrust.org.uk/sites/default/files/Disability%20Facts%20and%20Figures%202016.pdf>

## DISABILITY

**FIGURE 7A**

Responses to question 'Are your day-to-day activities limited because of a health problem or disability which has lasted, or is expected to last, at least 12 months?'



Sources: ICAEW probate authorised firms diversity questionnaire March 2017, SRA raw firm diversity data October 2015 and ONS from the 2011 National Census.

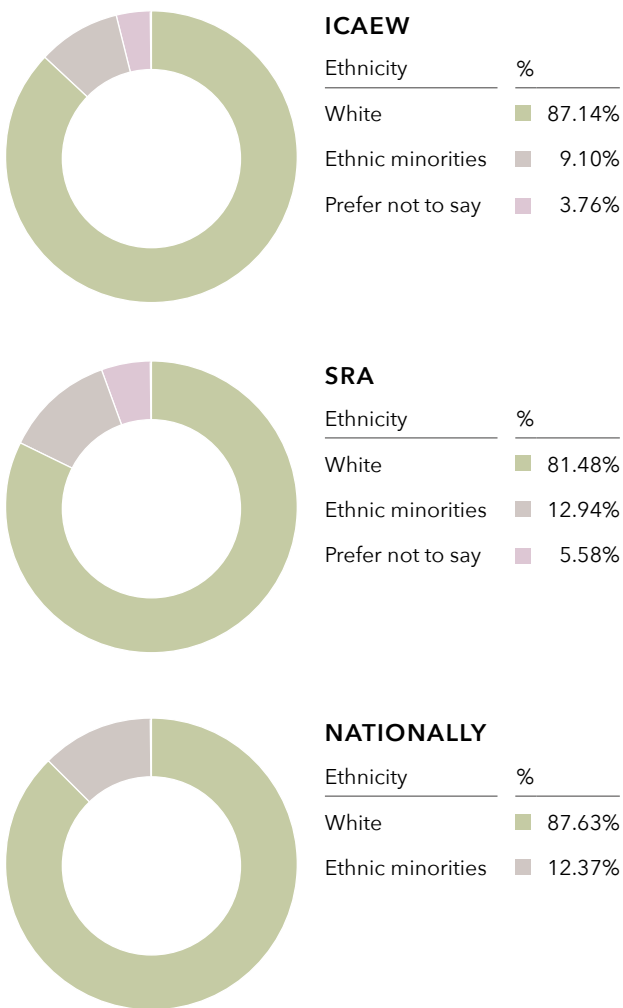
53. ICAEW and SRA data indicate that around 3% found that disability limited their activity quite significantly, while another 6% preferred not to say. This compares with a 9% national average for limited activity where there were no 'prefer not to say' responses. This suggests the workplace experience in the firms licensed for legal services is consistent with the national average, but the willingness of the employee to share this information with the employing firm is an issue.
54. Firms may need to give their workforce clearer messages around how they will approach sickness and disability and how they will support them through their benefits packages.



## ETHNIC GROUP

**FIGURE 8**

Responses to question 'What is your ethnic group?'

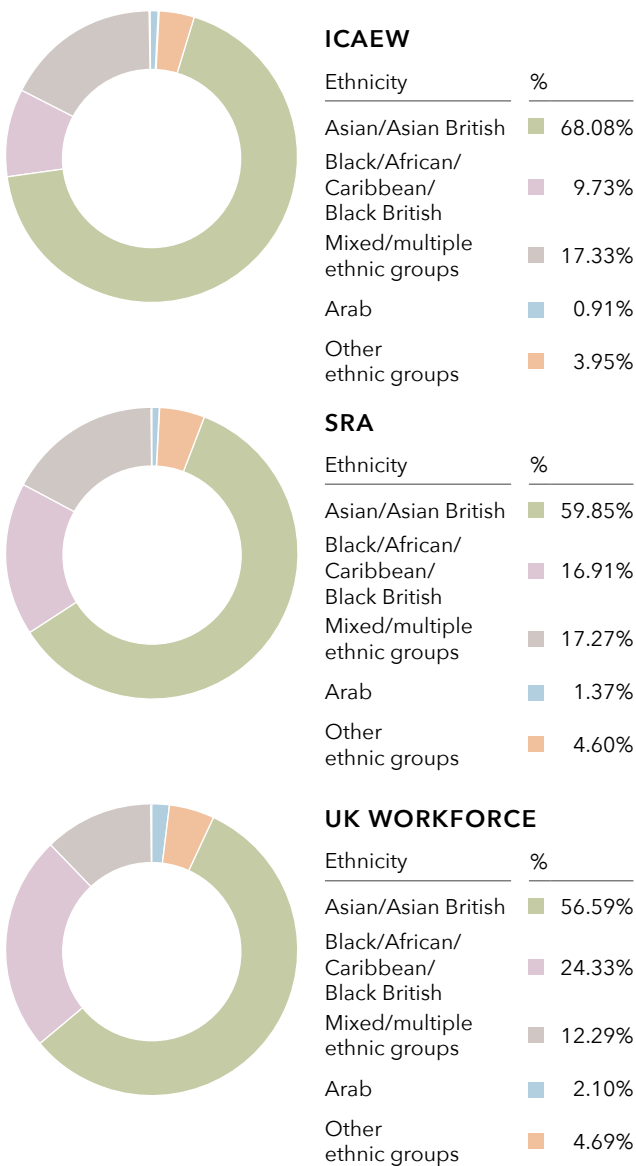


Sources: ICAEW probate authorised firms diversity questionnaire March 2017, SRA raw firm diversity data October 2015 and ONS from the 2011 National Census.

55. The figures appear at a high level to suggest the SRA statistics are consistent with the UK national data and ICAEW firms registered for probate have a less rich ethnic mix. Some explanation for this can be seen in the drill down of the ethnic minority segment.

## ETHNIC GROUP

**FIGURE 8A**  
Ethnic minorities.



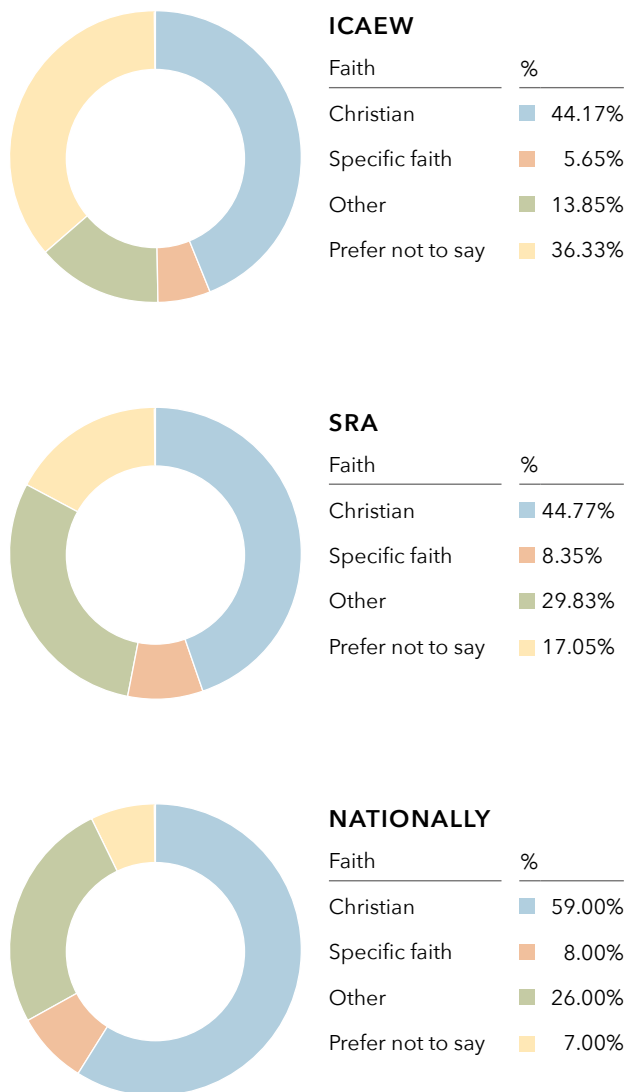
Sources: ICAEW probate authorised firms diversity questionnaire March 2017, SRA raw firm diversity data October 2015 and ONS from the 2011 National Census.

56. The principal shortfall in the ethnicity ratio arises from a low Black/African and Caribbean mix in the accountancy firms offering legal services. This lower than average profile is also present in the overall membership statistics of ICAEW, but is not evident in the SRA data. ICAEW is currently researching the reasons for this, but evidence is emerging of a trans-Atlantic culture that rates accountancy as a low level service akin to book-keeping, so black high achievers are encouraged by their parents to aim for what they perceive as more prestigious careers in law and medicine.
57. The social mobility initiatives of ICAEW, some of which are listed in Appendix B, are currently seeking to access this minority to ensure they can play an equal part in the development of the profession; it is expected this ratio should show a change in 2019 and move to levels more consistent with the lawyers in five to six years.

## FAITH

**FIGURE 9**

Responses to question 'What is your faith?'



58. The disclosure of faith together with that of sexual orientation has proved to be the most difficult data to collect, and these are areas where the highest 'prefer not to answer' responses occur.

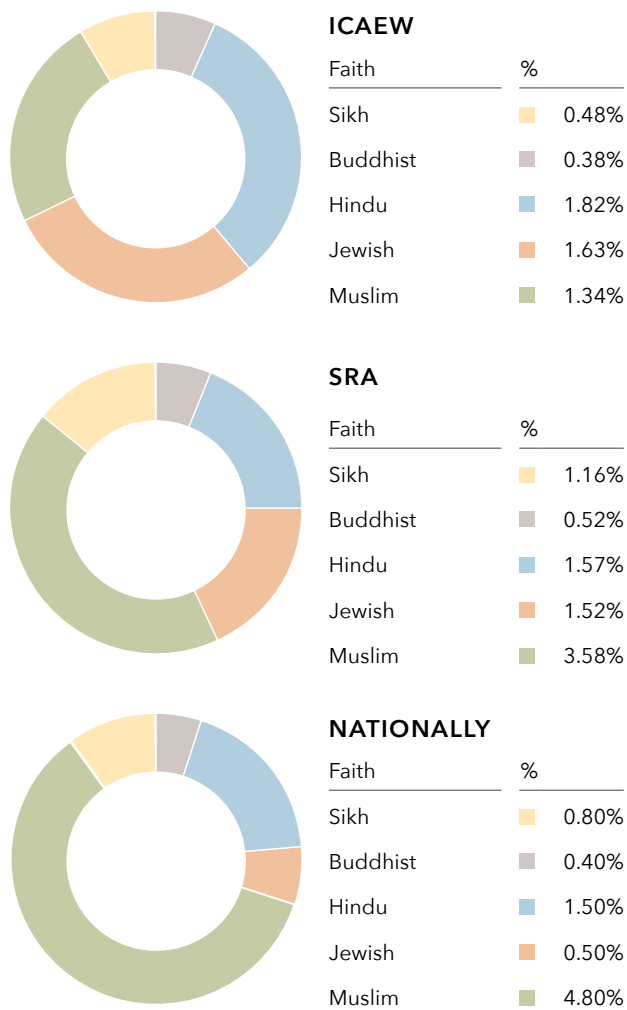
59. The figures for non-disclosure for ICAEW are much higher than for SRA largely because atheism is not offered as an option for faith by ICAEW. It accounts for 26% of the SRA 'Other?' option. The questionnaire will be amended in 2019 to include this category. 'Specific faith' is a grouping used for further analysis below.

60. The figures for Christianity in SRA and ICAEW licensed firms are broadly the same at 44% and yet considerably out of step with the National Census figure of 59%. It is not fully understood yet why there is such divergence, though the ONS data is six years older than for ICAEW. It is suspected that some of the 'prefer not to say' category for both ICAEW and the SRA will include Christians who are protective of their faith. If so, this suggests that faith is perceived by some staff and some employers as not relevant or inconsistent with their workplace role in the supply of legal services. This nuance may be appropriate for further research in the future.

Sources: ICAEW probate authorised firms diversity questionnaire March 2017, SRA raw firm diversity data October 2015 and ONS from the 2011 National Census.

## FAITH

**FIGURE 9A**  
Specific faith.

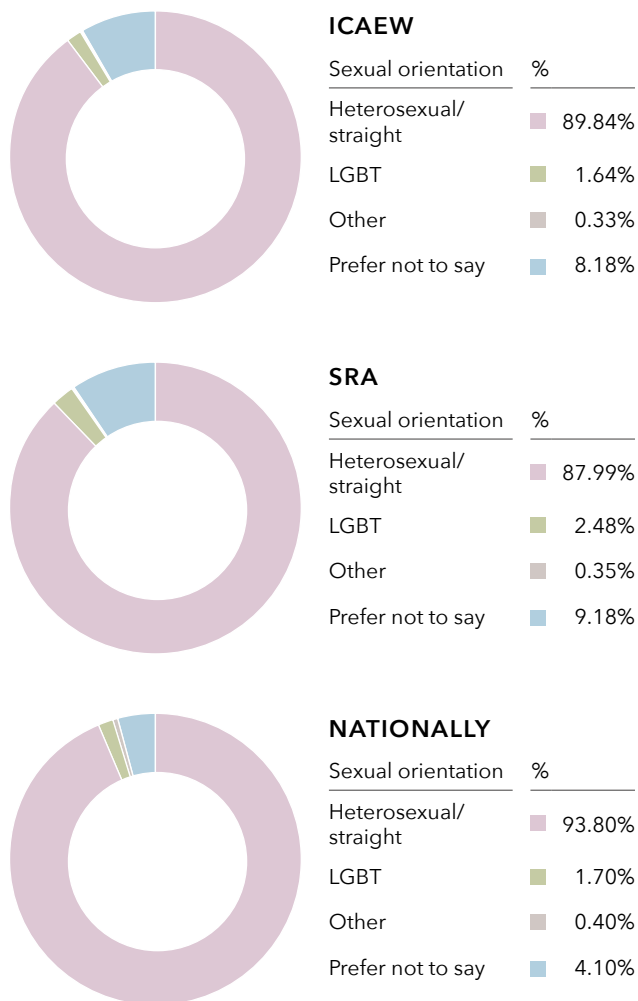


Sources: ICAEW probate authorised firms diversity questionnaire March 2017, SRA raw firm diversity data October 2015 and ONS from the 2011 National Census.

61. The specific faith segment shows around 6% nationally and for the SRA, but only 4% for ICAEW. The segment is made up of a number of small percentages.
62. The ratios are fairly small, but Muslim participation in the ICAEW probate licensed firms is far lower than that of SRA firms, which in turn is slightly below the national average. The participation by the Jewish community in both the professions is higher than their profile in the nation as a whole. In part the factors that affect race and the Black/African and Caribbean perception of the accountancy profession may be replicated here. ICAEW and SRA social mobility programmes are expected to bring greater balance to these statistics in the next few years.

## SEXUAL ORIENTATION

**FIGURE 10**  
Responses to question 'What is your sexual orientation?'



63. As noted in paragraph 58 there is considerable reticence in disclosing sexual orientation. Past studies by Stonewall have shown that the rates of disclosure for lesbian, gay, bi-sexual and transgender (LGBT) staff increase as they gain confidence in the monitoring process and the accompanying policy developments it encourages.

64. In 2012, Stonewall estimated that there were around 3.7m gay people in the UK out of a population of 64m, suggesting a ratio of 5.8%.<sup>11</sup> The national disclosure therefore of 1.7% indicates a general reluctance by individuals to volunteer non-mainstream orientation, which is replicated in the ICAEW returns. The SRA returns are somewhat higher but still well short of the Stonewall ratio. The national ratio may be constrained by the process of data collection for the National Census where the head of the house charged with the census document might act as an inhibitor, and a similar constraint may be operating at a firm level.

65. The ratio of 8% of 'prefer not to say' for ICAEW and SRA firms suggest there are still cultural and private issues that inhibit the readiness of gay employees to be open in the workplace, though these are gradually being reduced. Stonewall, in their 2012 report, noted that 26% of LGBT employees were not open about their orientation in the workplace.<sup>12</sup>

66. An increased support for LGBT members is now being offered by the professional bodies at a visible level. For example the Professional Services LGBT Group steered by ICAEW provides a regular forum for member firms to explore LGBT and diversity issues. This support should see the reporting ratios increase and the 'prefer not to say' ratio come down. Based on experience in the public sector, it should be possible for ICAEW to report a level of over 2% in 2019 and 4% in 2021.

<sup>11</sup> Stonewall publication, *Gay in Britain 2012*

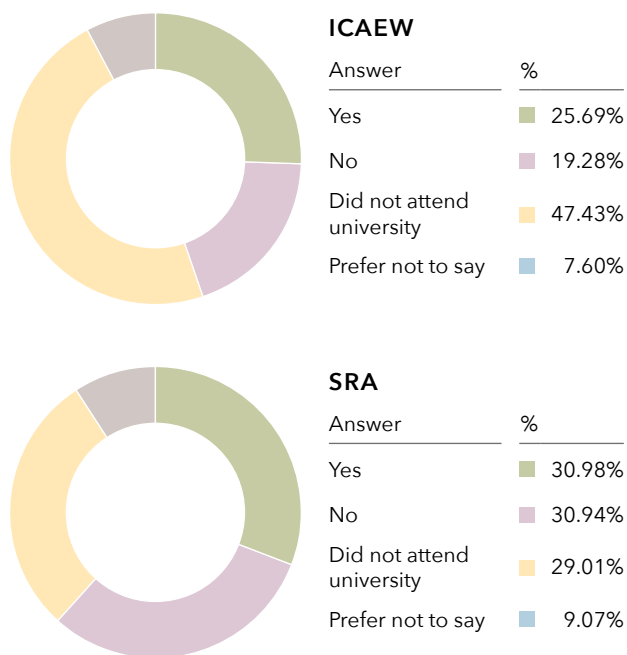
<sup>12</sup> *Ibid* page 3

## 6. Social mobility and social responsibility

### SOCIO-ECONOMIC BACKGROUND

**FIGURE 11**

Responses to question 'Were you the first in your family to attend university?'



Sources: ICAEW probate authorised firms diversity questionnaire March 2017, SRA raw firm diversity data October 2015.

67. The socio-economic background has been measured through two separate analyses. Firstly on the basis of university education, and secondly on the basis of type of secondary education. These statistics are being closely monitored at the recruitment level by the accountancy and legal professions, but limited evaluation has been made to date of the existing profile and how it should perhaps change.

68. The ratio of those who did not attend university is perhaps higher than expected given public perception of the professions, but is particularly high in the ICAEW licensed firms. These do not include the Big Four accountancy firms, some of which are licensed for legal services with the SRA. If their data was added, a graduate dominated profile closer to that of the SRA is likely to be reported.

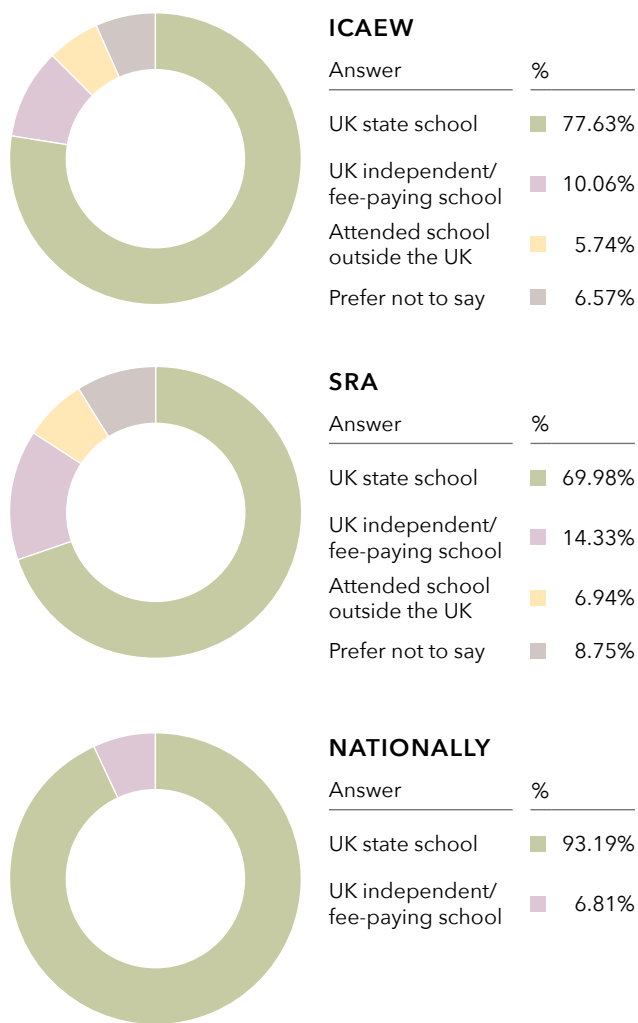
69. The social mobility programmes of the professions, encouraging more direct entry from schools, should see this profile change in the SRA over time. The profile of ICAEW probate firms is not expected to change significantly, as the practices licensed to date have always used a mixture of graduates and non-graduates in their intake.

70. The family profile is slightly more pronounced in ICAEW probate firms; 55% of who that went to university (the 25.69% registered as 'yes') were following a family tradition, whereas 50% is the ratio applicable to SRA firms.

## SOCIO-ECONOMIC BACKGROUND

**FIGURE 11A**

Responses to question 'What school did you attend between ages of 11 to 18?'



Sources: ICAEW probate authorised firms diversity questionnaire March 2017, SRA raw firm diversity data October 2015 and ONS from the 2011 National Census.

71. The national figure is based on children currently attending school. The independent schools ratio of 6.8% has been consistent over the last 14 years.

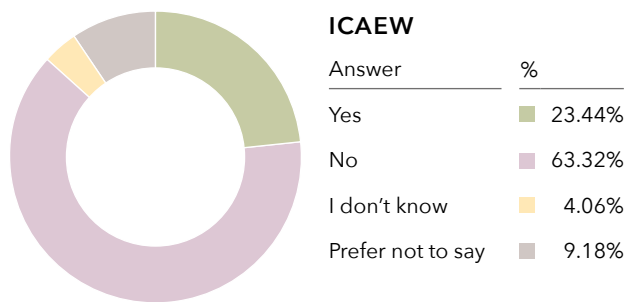
72. The tables suggest the ratio of those who attended a fee paying-school is much higher in the two professions than it is across the country as a whole. The ratio reported for the SRA firms is higher at 14% than the 10% reported by the ICAEW probate firms.

73. The educational mix is not expected to change wildly in the next few years, as many of the people surveyed will continue to be employed for some period of time and they can't change their history. However, in the next 10 to 15 years some small reduction may occur in the ratio of employees who attended fee-paying schools.

## SOCIAL MOBILITY

**FIGURE 12**

Reponses to question 'Did your parent(s) or guardian(s) complete a degree course or equivalent?'



Sources: ICAEW probate authorised firms diversity questionnaire March 2017.

74. The questions asked of the ICAEW probate firms about social mobility were recommended by the Social Mobility Toolkit 2012 as part of a monitoring process.<sup>13</sup> There is no readily available comparative data for this information, so the disclosed figures are more of a starting point against which future expectations can be measured.

75. The first question is similar to that asked for socio-economic background, but at a parental level rather than a family history standpoint.

76. The responses perhaps reinforce the answers given for the socio-economic background, with only a 2% differential between family and parents. It would appear, therefore, that the family tradition noted in paragraph 67 is typically characterised by the parents of the individual in employment.

<sup>13</sup> Issued by Spada in 2012 under the sponsorship of the LSB, General Medical Council, the Chartered Insurance Institute and the British Dental Association; page 21



## SOCIAL MOBILITY

FIGURE 12A

Social mobility (qualification).

QUALIFICATION	RATIO
Professional qualifications (eg, teaching, nursing, accountancy)	40.33%
Undergraduate degree (eg, BA, BSc)	16.36%
2+ A levels/VCEs, 4+ AS levels, Higher School Certificate, Progression/Advanced Diploma	8.94%
5+ O levels (passes)/CSEs (grade 1)/GCSEs (grade A*- C), School Certificate, 1 A level/2-3	5.94%
1-4 O levels/CSEs/GCSEs (any grades), Entry Level, Foundation Diploma	3.68%
NVQ Level 4-5, HNC, RSA Higher Diploma, BTEC Higher Level	3.22%
Master's degree (eg, MA, MSc)	2.75%
NVQ Level 3, Advanced GNVQ, City and Guilds Advanced Craft, ONC, OND, BTEC National	2.35%
Other vocational/work-related qualifications	1.45%
NVQ Level 2, Intermediate GNVQ, City and Guilds, BTEC First/General Diploma, RSA	1.27%
Diploma	1.24%
AS levels/VCEs, Higher Diploma	0.84%
Non-UK qualifications	0.74%
RSA Advanced Diploma	0.40%
Doctorate degree (eg, PhD)	0.37%
Apprenticeship	0.25%
NVQ Level 1, Foundation GNVQ, Basic Skills	0.22%
No qualifications	0.09%
<b>Total responding</b>	<b>90.44%</b>
Prefer not to say	9.56%
<b>Total</b>	<b>100.00%</b>

77. The second social mobility question centres on the types of qualification the individuals within a firm held. The recommended question from the toolkit asked individuals to tick all the ones that applied, but this was thought by ICAEW to be confusing for the completer, at least first time round. Therefore the question was modified to 'Which of these is your highest level of qualifications?'

78. The table confirms the importance of the accountancy qualification within a practice and can be compared against the 55% of staff within a firm shown in Figure 4 above who are qualified and partners and managers. The figures also show the diverse entry that appears already to be being made into the profession by those without the accountancy qualification.

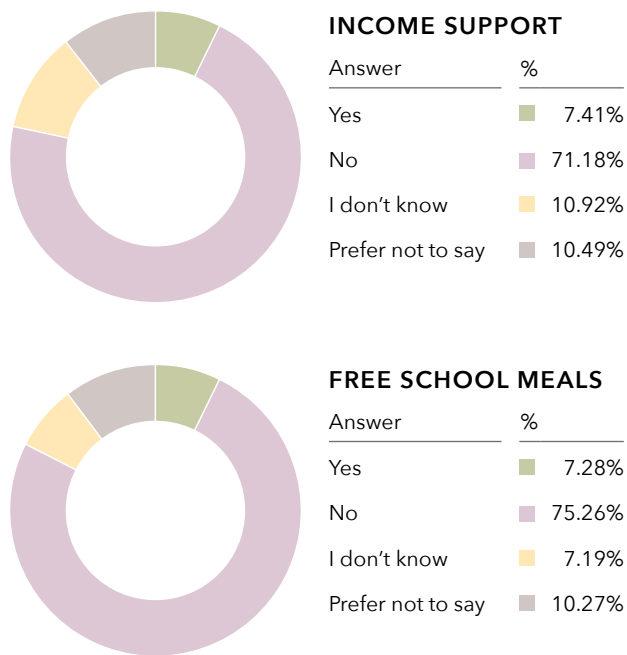
79. The 10% ratio which indicate they would prefer not to say is an interesting feature. There may be historic reasons within a practice why individuals might not feel comfortable to answer this question. It suggests there may be general discomfort within a firm culturally to being open about such matters. As the outcomes of the monitoring review are socialised and set in context it is hoped that this ratio will diminish in future.

80. With the increased engagement by ICAEW with schools and the development of alternative routes into the profession, we expect the ratios of the smaller categories in this table may grow in the next two years, perhaps at the expense of the undergraduate degree. Some of the initiatives associated with this engagement are set out in Appendix B.

## SOCIAL MOBILITY

**FIGURE 12B**

Responses to questions 'Did your household receive income support at any point during your school years?' and 'Did you receive free school meals at any point during your school years?'



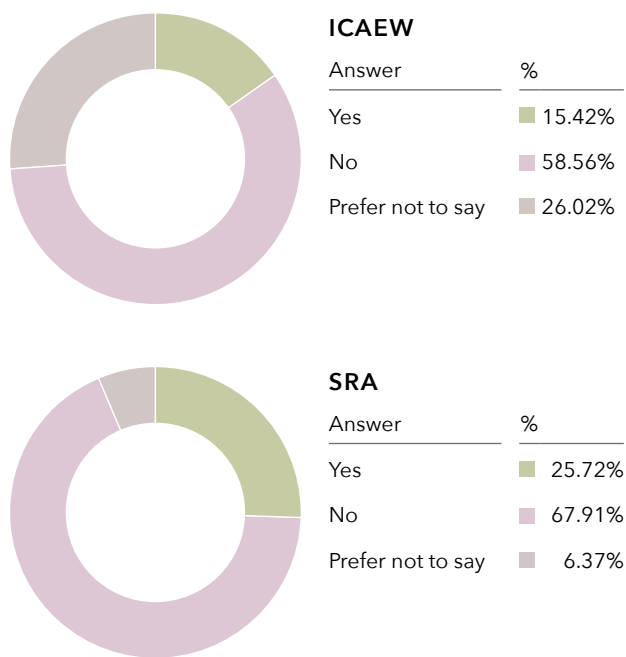
Sources: ICAEW probate authorised firms diversity questionnaire March 2017.

81. The third and fourth questions from the toolkit asked if an individual's household received income support during school years and if the individual received free school meals. The questions are intended to establish if those from poor backgrounds are gaining access to the profession, but those reading the question can find them intimidating and intrusive.
82. The two questions yield broadly similar answers, indicating that 7% of the workforce came from poor household backgrounds. The social mobility programme may raise this figure towards 10%, but it will be a slow process which may be better measured at the intake level rather than in the complete assessment of the whole workforce.
83. The ratio of 'prefer not to say' at 10% is lower than was expected, and is expected to reduce once the completers are more comfortable with the outputs and use of the data.

## CARING RESPONSIBILITIES

**FIGURE 13**

Reponses to question 'Are you a primary carer for a child or children under the age of 18?'



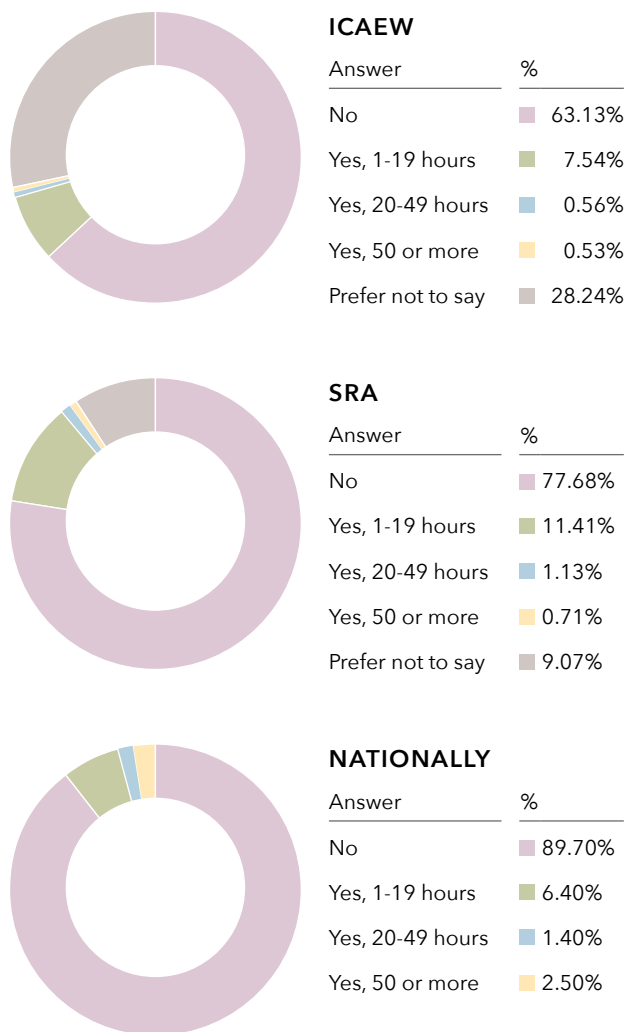
84. The caring responsibilities questions are intended to understand the mix of staff with external demands being made upon them that might require flexibility in the hours being worked. This affects those with children and those with ailing parents or other infirm relatives and dependants. The questionnaire asked two questions around the role of care.

85. The mix of response from this question is marked when compared with that of staff employed by the SRA. The ratio of 26% 'prefer not to say' suggests there may be lifestyle difficulties surrounding parenthood or relationships that those working with ICAEW probate firms are unwilling to share with their employer. The role and opportunities for women in accountancy, particularly around early childcare, are currently under review. The opportunities for home working along the lines foreseen in *Tomorrow's Practice* may result in considerable changes in life/work balance in the coming years. This should resolve some of these problems and encourage a better disclosure rate.

## CARING RESPONSIBILITIES

**FIGURE 13A**

Reponses to question 'Do you look after someone with a long-term physical or mental ill-health, disability or problems related to old age?'



Sources: ICAEW probate authorised firms diversity questionnaire March 2017, SRA raw firm diversity data October 2015 and ONS from the 2011 National Census.

86. These ratios are quite marked and are perhaps a reflection of the current state of health support services in the UK and the capacity of relatives to look after the infirm. While 90% of the population have no caring responsibility here, this figure is reduced to 78% for the SRA firms and 63% for the ICAEW probate firms.

87. A further telling ratio in the data is that 28% of the ICAEW probate firm staff were unwilling to say anything about this area. Some further research is clearly needed which could be undertaken in consultation with CABA. This may be indicating an increasing challenge to key skilled personnel within a practice which may be capable of better management though flexible working practices, home working patterns identified by *Tomorrow's Practice* and wider medical options being made available through benefits packages.

88. The reporting ratios will be closely monitored in the 2019 returns, with an eye to reducing the non-disclosure and understanding more fully the hours that accountancy staff may be devoting to this area alongside their day job.

## ***7. Conclusions***

89. The collation of diversity data from the probate firms licensed by ICAEW has been a challenging exercise, both for ICAEW and for the firms that have needed to manage this information with sensitivity.
90. The data has been aggregated and put to good use through the development of this report and in particular the benchmarking possible through data supplied by the Office for National Statistics and the 2015 raw data set shared with ICAEW by the SRA.
91. The emerging messages that arise from the data are that firstly there are good foundations for diversity already prevailing in the ICAEW practices surveyed, though there remain areas for development. These foundations, however, position the firms positively in the marketing of legal services to a wider consumer market that is sought by the LSB and the Legal Services Consumer Panel.
92. There are areas which warrant further investigation, and where some increased activity and emphasis is required to achieve better balance. The initiatives already underway to address some of these areas are set out in Appendix B. The full data set provides a solid platform from which to measure progress and the results of these and any further initiatives put in place to address areas of vulnerability.
93. It remains to be seen if this exercise should be extended to all ICAEW registered firms. The number of firms under review will increase as a result of licensing more probate firms in the next two years, and may be further increased if ICAEW is successful in being designated as an approved regulator and licensing authority for the other five reserved legal services.

# *Appendix A*

## **THE PROTECTED CHARACTERISTICS**

The Protected Characteristics are defined under section 4 of the Equality Act 2010 as:

- Age
- Disability
- Gender reassignment
- Marriage and civil partnership
- Pregnancy and maternity
- Race
- Religion or belief
- Sex
- Sexual orientation

## *Appendix B*

### **ICAEW DIVERSITY INITIATIVES**

#### **Research**

- Research into Accounting and Diversity by Cardiff University.
- Research into Afro-Caribbean cultural attitudes to accountancy.
- Participation in Tredence University and School research.

#### **Women's agenda**

- ICAEW Women in Finance Group established May 2017.
- ICAEW Women in Leadership training programme.
- Joint sponsorship of events with National Black Women's Network.

#### **LGBT**

- Quarterly Professional Services LGBT Group speaker dinners.
- Liaison with Stonewall and participator in Stonewall Workplace Index.
- Promotion and support of LGBT networks within ICAEW and firms.

#### **Social mobility**

- Joint participator in Access Accountancy which provides work experience to school students from specific socio-economic backgrounds.
- Development of new qualification - Certificate in Finance Accounting and Business (CFAB) - with no entry qualification required, allowing entry direct from schools and progression to ACA.
- Promotion of higher apprenticeship routes using CFAB.
- Development of 5/6 Degree Apprenticeships engaging both employers and universities to secure affordable access to the profession.
- Promotion of annual inter-school BASE competition encouraging sixth formers from all backgrounds to consider the profession as a career.
- Development of bursaries through the ICAEW Foundation and major firms to fund accountancy students from challenging social backgrounds.

#### **Disability**

- Development of bespoke examination and training arrangements for those with disability.

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