



UK Gender Pay Gap Report

April 2021

Introduction

Microsoft published its first gender pay gap report in 2018, in line with the UK government's reporting legislation. The report set out our commitment to Diversity & Inclusion and to addressing our gender pay gap. We are now publishing our 2021 update on progress, and as the journey continues, we maintain our approach and strategy. Microsoft fully supports the UK government's focus on gender pay gap and its effort to shine a spotlight on this important issue.

Our focused efforts within our Diversity & Inclusion strategy has enabled us to grow our representation of female employees in the UK year on year, with increases seen across the majority of our different role types (see below). Increasing female distribution across all roles will continue to be a key area of focus - within Microsoft, our industry and the UK education system.

The need for a long-term view

As most organisations have a pyramid-shaped hierarchy, more hiring of both men and women generally occurs at the lower levels of the organisation. Increasing female hiring at this level, with the aim of nurturing employees to climb the ladder into more senior, higher paid roles, will eventually result in a reduced gender pay gap yet will take time. Hiring women into senior roles can have a positive short-term impact on the gender pay gap, yet this approach alone would not be sustainable in the long term. What is needed is a balanced organisation at every level.

Our on-going analysis means that we are confident that our efforts at increasing female representation at Microsoft are working, although progress is not as rapid as we would want. Market dynamics and the shape of our business means that we must reinforce our efforts across all quartiles of the organisation. Our underlying demographics are improving, yet success at hiring more female employees at junior levels is resulting in our headline gender pay gap numbers regressing before they improve. By retaining and developing our female talent, the gap will become narrower in the long run, and by focusing on better balance at every level we can reduce the time to close the gender pay gap.

Additionally, the size of the employee population is constantly changing. This is largely due to the significant acquisitions we have made in the last 12 months that will change the size and shape of our organisation. Due to their size, these acquisitions will impact our figures over the next few reporting cycles, however we retain the belief in our long term strategies to help drive a reduction in our pay gap over time.

Our gender pay gap results

As we expected, our results this year show the gender pay gap and the bonus gap widening year on year. Two key factors have led to this:

1. In the top two quartiles the number of available positions in any given year are fewer than at more junior levels where we are naturally seeing the most effect from our long term D&I policies. Although we are growing our female representation, in line with our strategies, this growth is occurring more in the lower pay quartiles than the higher quartiles.
2. Microsoft continues to grow its UK headcount significantly. This alters the shape of the UK organisation, and can result in fluctuations from year-to-year within the data.

We will continue to focus on pay equality alongside our global commitment to increasing female representation across all levels of the organisation. Our efforts remain concentrated on those key factors that influence change; expanding our pipeline of talent, empowering and retaining our people through an inclusive culture, and supporting our customers and partners through diversity. Additionally we are making some changes to our hiring practices internally, which we believe will have a meaningful impact over time.

The analysis below for Microsoft UK Ltd is based on the government's methodology, using hourly rates of pay as of the snapshot date of 5th April 2020, bonuses paid in the 12 months up to 5th April 2020 and organisation demographics for 5th April 2020.

Hourly pay

10.38%
+2.11%*

The **mean pay variance** shown is the difference between the average hourly pay of men and women

10.30%
+0.14%*

The **median pay variance** shown is the difference between the midpoint in the ranges of hourly pay of men and women

Bonus pay

16.54%
+3.74%*

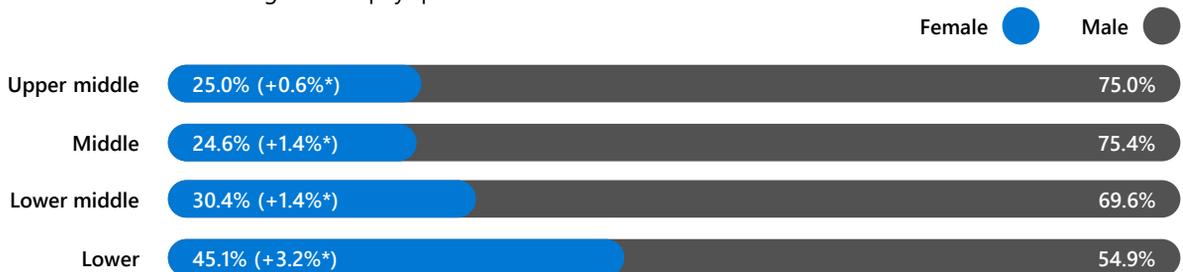
The **mean bonus pay variance** shown is the difference between the average bonus pay of men and women

37.54%
+8.46%*

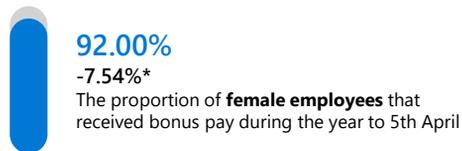
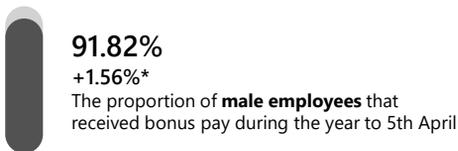
The **median bonus pay variance** shown is the difference between the midpoint in the ranges of bonus pay of men and women

The proportion of employees in each pay quartile according to gender

Consistent with the legislation, we have reported our employee population in order of ordinary base pay from the lowest to the highest, and then divided this into four equal population sizes, to show how the distribution of men and women varies according to each pay quartile.



The percentage of employees receiving a bonus



The government's gender pay gap analysis measures the difference between the average male pay and the average female pay as a proportion of the average male pay within an organisation. This therefore reflects the distribution and relative proportion of men and women across all roles within an organisation. It is unable to take into consideration factors including job level and title.

Workforce representation

Microsoft is committed to increasing the representation of female employees across all professions and levels. Like many companies, we know from our analysis that having more men at senior levels within our organisation is a key contributing factor to our results, but to be successful in reducing the gender pay gap, we need to acknowledge the industry-wide challenge we face for available skills. Year on year we have seen an increase in female representation of 1.6%, and this is broken down as below. Our female representation in the workforce (as per April 2020):



Equal pay

To provide a more complete picture of our results, we are also sharing Microsoft UK's equal pay figure and gender workforce demographic data for year ending April 2020.

99.6p
-0.1p*

At Microsoft we are committed to the principle of equal pay for equal work for our employees. The determination for equal pay compares male and female employees carrying out the same or similar work, including factors such as job level and title.

Earned by women for every £1 earned by men with the same job level and title in the UK

While the numbers will always fluctuate slightly year to year, statistically these are small adjustments. For Microsoft in the UK we are at effective parity. For every £1 earned by male employees, our female employees in the UK earned 99.6 pence at the same job title and level.

This equal pay data reflects Microsoft's focus to ensure that all employees, no matter their gender, are compensated equally. We will continue to monitor this data and it will remain a key value and priority for us.

Looking ahead

At Microsoft, we are committed to improving and learning how to increase our representation of all demographics of diversity, including female representation.

For the next reporting period, we can already see that our efforts to increase female representation are continuing to achieve positive results. We are attracting, hiring and developing women into all roles, yet the numbers are likely to continue rising more quickly at junior levels where we have more opportunities. We also see some challenges relating to our acquisitions that will have an impact on our reported data, including population size and shape. We will focus intently on developing our female employees into more senior roles, and on hiring females into leadership positions. Although we anticipate there may be further regression in our gender pay gap numbers as we continue on our journey, we know that the actions we are taking now will achieve the balanced organisation we need to be able to close the gender pay gap in the long term.

Ultimately, these are short to medium term challenges in a much broader programme which is driving positive change. However, we believe it is important to be transparent about the journey we are on. The reality is that it will take us, and others in our industry, many years to achieve equal female representation and therefore close the gender pay gap. That does not diminish our determination to achieve it, and these numbers and this growth trajectory are evidence of our commitment to continuing positive change.

Further details of our Diversity & Inclusion commitments can be viewed in our initial [Gender Pay Gap report](#) from 2018, those since and in our [2020 Global Diversity & Inclusion report](#). We are continually evolving our inclusive culture, and we will continue to monitor and measure progress against each of these commitments. We strive to create an environment where everyone is respected, safe and able to do their best work.

Authorised signatory

Declaration

I confirm that the data contained within this report is accurate and meets the requirements of the gender pay gap reporting regulations.



Hebah

Hebah Tantawy
UK HR Director