

# Corporate dividends

## The *Canadian Lawyer* 2005

### In-house counsel compensation survey



The economy has picked up, at least in some sectors, but corporate budgets and internal hiring patterns still continue to shrink. As a result, in-house counsel are contracting out just over 30 percent of work to outside counsel this year. There was some good news, though. Of those who responded to our survey, almost 90 percent are receiving annual bonuses and 40 percent are getting stock options, at levels much higher than last year. **By Kirsten McMahon**

**I**n-house lawyers are underpaid compared to lawyers in private practice at similar levels of call, yet the expectations of in-house lawyers 'to do everything' and be responsible for it are as high, if not greater, than for lawyers in private practice." Many respondents to this year's corporate counsel survey shared the same thoughts as this in-house counsel from Vancouver.

"Although the volume of work and responsibility have increased, the recognition and pay have not. What's the deal?" asks a lawyer from Montreal.

"I cut one lawyer due to budget constraints," says one Toronto general counsel. "Trend continues of 'doing more with less.' Everyone must be pulling his or her weight. No slackers allowed."

*Canadian Lawyer's* in-house counsel com-

penetration survey was started over six years ago, when we realized the unique nature of in-house lawyers was being neglected in our national compensation survey. This year, more than 100 respondents from across the country answered questions on all aspects of in-house life.

The data is organized on the basis of whether or not the company is public or private, and by four industry sectors: manufacturing, financial services, natural resources, and other (which includes pharmaceuticals, distribution, real estate and transport, among other areas).

In-house counsel and support staff are receiving a little more this year and their salary increases range between three and five percent. Salaries are slightly higher in all industries. This year, the average salary for

general counsel (before bonuses and stock options) ranges from about \$150,000 to just over \$225,000. That's an increase of about \$15,000 in starting salaries over last year's results, while the higher end has only increased by about \$2,000.

The percentage of general counsel who receive bonuses has increased by 15 percent, although those who receive stock options dropped by 10 percent (about 89 percent get an annual bonus and 40 percent receive stock options). However, the amount they take home is more than last year. More than 77 percent of other in-house lawyers who are not general counsel received a bonus slightly higher than last year's, which is an increase of 17 percent. Of that group, five percent more received stock options (27 percent), and those options were worth more than last year's.

Our survey does not measure perks like company cars, laptops, cell phones, gym memberships, annual trips or retreats and pension plans — which many respondents state they receive. As well, the average in-house counsel worked a 50-hour week.

By region, the response rate was: 38 percent from Toronto and the Greater Toronto Area (GTA); 12 percent from Montreal; and 10 percent from the Ottawa region. The remaining 40 percent came from Vancouver, Calgary, Winnipeg, St. John's and Halifax. Followers of our survey will notice respondents were able to fill out the forms online at [www.canadianlawyer.com/Pages/surveys.html](http://www.canadianlawyer.com/Pages/surveys.html). We will continue to provide our surveys on the Web as some respondents may find it more convenient than filling out the survey forms.

This year, in-house counsel offered a look at their base earnings, perks, bonuses and options, as well as details on their department, staffing and outside contract work with law firms.

#### Staying Inside

Corporate counsel estimate that they will farm out an average of 32 percent of their work to outside counsel this year. In 2004, the total

cost, on average, of contracted work was \$2.8 million (an increase of \$1.5 million from 2005). Although more than 70 percent of respondents plan to contract work to law firms, that is fewer than in previous years.

"Most corporations are attempting to internalize legal costs as much as possible because of the exorbitant costs of outside counsel versus the services received," says one general counsel from Calgary.

As well, many respondents stated they are contracting out work to smaller firms in smaller cities to stretch their budgets.

"I am more and more recruiting outside counsel in regional markets in lieu of big cities," says one respondent. "The difference in cost is enormous and the quality of work for certain matters is as good . . . but try to explain that to a guy making \$450 to \$600 an hour."

Another respondent says, "Big firms are very expensive, especially in New York and Toronto. We are to cut costs by about 10 percent."

Respondents reported that work will be given to outside lawyers only when absolutely necessary. Slightly less than half of the respondents stated they expect to contract out about the same amount of work next year, 34 percent said they would contract less and 20 percent plan to contract more work next year.

"Given the high cost of legal services, we are spending more time training staff how to use legal services appropriately," says one general counsel from Vancouver.

Some respondents said they are overworked due to shrinking budgets, so it's no surprise that most companies say they are not planning to hire in-house lawyers this year. The few who reported additional hirings say they plan to hire an average of one to two lawyers this year.

As the fee levels of outside counsel increase, many in-house counsel complain about the value they are getting for their dollar.

"Outsider firms grossly overbill," says a solicitor from Toronto, who added that there were far too many "timekeepers" and no real effort to reduce time wasted. "They just seem to send the bills and hope we don't question them."

Many respondents shared this opinion. The consensus seems to be that outside fees are high and approaching unreasonable levels, and litigation costs, especially around class actions, are going through the roof.

### **Extra! Extra!**

More in-house general counsel are receiving bonuses than last year, while fewer are enti-

tled to profit-sharing. However, the value of these extras has increased significantly from 2004 levels.

Those in the manufacturing and financial services sectors were most likely to receive a bonus, but those in manufacturing received the highest bonuses, with an average of \$205,000. Counsel in manufacturing were also much more likely to receive stock options (a whopping 88 percent compared to the national average of 40 percent) and received more money from those options than respondents in the three other sectors.

### **Overall**

Generally, salaries are higher across the board, and bonuses and stock options are much higher than last year's results.

Support staff salaries are about the same as last year, with paralegals' salaries ranging from almost \$45,000 to about \$60,000 and secretaries' pay ranging from \$35,000 to \$49,000. This is a large improvement in starting salaries from as few as three years ago, and may reflect a changing view of the important role support staff play in an overworked legal department. **Q**

*Kirsten McMahon is an associate editor at Law Times, the newspaper for Ontario's legal professionals.*

# What in-house corporate counsel are earning in 2005

More than, 100 general counsel and key inside lawyers answered this year's survey on salaries and extras for in-house counsel. Businesses ranging from small to large multibillion-dollar conglomerates participated. The mid-range figures are where most respondents fell and the high and low salary for each title is shown.

The percentages in the bonus and stock-option categories reveal how many respondents collect these additional benefits. Where the bonus was marked as a finite percentage of the salary (15 percent of salary at \$210,000 a year), calculations were made to find the most accurate dollar amount. **01**

## EARNINGS BY INDUSTRY SECTOR — NATIONAL

<b>LAWYERS</b>	[ - Mid Range - ]		<b>Low</b>	<b>High</b>
General Counsel	\$152,800	\$225,770	\$ 42,000	\$600,000
Assoc. General Counsel	\$104,530	\$152,330	\$ 63,000	\$400,000
Senior Lawyer (> 5 yrs)	\$94,750	\$128,750	\$ 53,000	\$300,000
Junior Lawyer (< 5 yrs)	\$ 69,961	\$ 96,580	\$ 45,000	\$150,000
	<b>Avg. Bonus</b>	<b>%</b>	<b>Avg. Stock Op.</b>	<b>%</b>
General Counsel	\$ 58,110	89	\$ 58,970	40
Staff Lawyers	\$ 20,020	77	\$ 23,090	27
<b>SUPPORT STAFF</b>	[ - Mid Range - ]		<b>Low</b>	<b>High</b>
Secretary	\$ 34,820	\$ 48,490	\$ 20,000	\$100,000
Paralegal	\$ 45,230	\$ 59,750	\$ 30,000	\$ 90,000

**SAMPLE SIZE: 102 Companies & Organizations**

## EARNINGS BY INDUSTRY SECTOR — FINANCIAL RESOURCES

LAWYERS		[ - Mid Range - ]		Low	High	Avg. Bonus		%	Avg. Stock Op.		%
General Counsel	\$138,430	\$208,000	\$90,000	\$275,000	General Counsel	\$39,630	93	\$38,340	36		
Assoc. General Counsel	\$92,000	\$115,170	\$63,000	\$155,000	Staff Lawyers	\$15,900	83	\$5,000	23		
Senior Lawyer (> 5 yrs)	\$84,170	\$117,310	\$53,000	\$225,000	<b>SUPPORT STAFF</b>		<b>[ - Mid Range - ]</b>		<b>Low</b>	<b>High</b>	
Junior Lawyer (< 5 yrs)	\$60,300	\$92,110	\$45,000	\$150,000	Secretary	\$30,830	\$42,820	\$20,000	\$55,000		
					Paralegal	\$38,130	\$56,630	\$30,000	\$95,000		

**SAMPLE SIZE: 31 Companies & Organizations**

## EARNINGS BY INDUSTRY SECTOR — NATURAL RESOURCES

LAWYERS		[ - Mid Range - ]		Low	High	Avg. Bonus		%	Avg. Stock Op.		%
General Counsel	\$167,830	\$269,000	\$42,000	\$500,000	General Counsel	\$92,430	90	\$348,330	60		
Assoc. General Counsel	\$117,500	\$225,000	\$85,000	\$400,000	Staff Lawyers	\$15,420	75	\$30,000	43		
Senior Lawyer (> 5 yrs)	\$135,000	\$188,750	\$100,000	\$300,000	<b>SUPPORT STAFF</b>		<b>[ - Mid Range - ]</b>		<b>Low</b>	<b>High</b>	
Junior Lawyer (< 5 yrs)	\$86,670	\$110,750	\$80,000	\$150,000	Secretary	\$38,860	\$58,000	\$30,000	\$100,000		
					Paralegal	\$50,000	\$62,000	\$35,000	\$75,000		

**SAMPLE SIZE: 12 Companies & Organizations**

## EARNINGS BY INDUSTRY SECTOR — MANUFACTURING

LAWYERS		[ - Mid Range - ]		Low	High	Avg. Bonus		%	Avg. Stock Op.		%
General Counsel	\$237,500	\$453,330	\$150,000	\$600,000	General Counsel	\$205,000	100	\$207,500	88		
Assoc. General Counsel	\$137,500	\$180,000	\$135,000	\$200,000	Staff Lawyers	\$33,200	100	\$18,000	75		
Senior Lawyer (> 5 yrs)	\$111,360	\$127,630	\$98,000	\$180,000	<b>SUPPORT STAFF</b>		<b>[ - Mid Range - ]</b>		<b>Low</b>	<b>High</b>	
Junior Lawyer (< 5 yrs)	\$80,000	\$98,000	\$80,000	\$98,000	Secretary	\$40,780	\$50,340	\$30,000	\$55,000		
					Paralegal	\$49,600	\$61,850	\$40,000	\$80,000		

**SAMPLE SIZE: 22 Companies & Organizations**

## EARNINGS BY INDUSTRY SECTOR — OTHER SECTORS

LAWYERS		[ - Mid Range - ]		Low	High			Avg. Bonus	%	Avg. Stock Op.	%
General Counsel	\$134,560	\$185,280	\$85,000	\$300,000	General Counsel	\$38,570	80	\$19,500	38		
Assoc. General Counsel	\$100,730	\$148,910	\$70,000	\$210,000	Staff Lawyers	\$19,670	72	\$15,000	15		
Senior Lawyer (> 5 yrs)	\$87,440	\$123,770	\$70,000	\$160,000	<b>SUPPORT STAFF</b>		[ - Mid Range - ]		Low	High	
Junior Lawyer (< 5 yrs)	\$73,000	\$95,080	\$50,000	\$120,000	Secretary	\$36,580	\$48,290	\$24,000	\$60,000		
					Paralegal	\$47,320	\$60,220	\$30,000	\$80,000		

**SAMPLE SIZE: 37 Companies & Organizations**

## EARNINGS BY INDUSTRY SECTOR — PUBLIC COMPANIES AND CROWN

LAWYERS		[ - Mid Range - ]		Low	High			Avg. Bonus	%	Avg. Stock Op.	%
General Counsel	\$178,750	\$255,880	\$100,000	\$600,000	General Counsel	\$77,110	97	\$55,440	60		
Assoc. General Counsel	\$107,080	\$166,080	\$70,000	\$400,000	Staff Lawyers	\$19,540	85	\$24,500	39		
Senior Lawyer (> 5 yrs)	\$97,030	\$131,590	\$60,000	\$300,000	<b>SUPPORT STAFF</b>		[ - Mid Range - ]		Low	High	
Junior Lawyer (< 5 yrs)	\$68,000	\$96,270	\$48,000	\$150,000	Secretary	\$37,680	\$51,170	\$25,000	\$100,000		
					Paralegal	\$47,810	\$60,590	\$35,000	\$80,000		

**SAMPLE SIZE: 52 Companies & Organizations**

## EARNINGS BY INDUSTRY SECTOR — PRIVATE COMPANIES

LAWYERS		[ - Mid Range - ]		Low	High			Avg. Bonus	%	Avg. Stock Op.	%
General Counsel	\$133,500	\$202,140	\$42,000	\$280,000	General Counsel	\$39,100	80	\$62,500	20		
Assoc. General Counsel	\$105,170	\$134,000	\$63,000	\$185,000	Staff Lawyers	\$20,500	68	\$21,670	14		
Senior Lawyer (> 5 yrs)	\$90,540	\$124,000	\$53,000	\$225,000	<b>SUPPORT STAFF</b>		[ - Mid Range - ]		Low	High	
Junior Lawyer (< 5 yrs)	\$75,000	\$98,700	\$45,000	\$150,000	Secretary	\$34,790	\$47,400	\$20,000	\$55,000		
					Paralegal	\$43,620	\$60,170	\$30,000	\$90,000		

**SAMPLE SIZE: 50 Companies & Organizations**