





This year's survey shows salaries are a bit lower, but there's light at the end of the tunnel for job seekers.

the
2012

Canadian Lawyer
Compensation
Survey

By Heather Gardiner

The difficult economic environment of the last few years is being reflected in the salaries of Canadian lawyers, both in-house and in private practice. According to the results of *Canadian Lawyer's* 2012 Compensation Survey, the median salaries of newly called lawyers are lower than last year. For example, the median salary of a first-year associate is \$72,500, down by approximately \$3,500 from last year. It's the same case for newly called in-house counsel, who are showing a median salary of \$77,500, a steep decline of \$7,500 from last year.

Indicative, too, of the somewhat mercurial state of the profession, the survey shows only 45 per cent of law firm respondents plan to increase their associates' salaries in 2013, whereas 77 per cent of corporate legal departments say they will bump up their lawyers' earnings.

Making decisions on how to compensate various members of the team is no easy feat in the current environment either. In setting compensation rates for lawyers, respondents reported that determining the market value, trying to compete with other firms' rates, crediting non-billable work, and meeting lawyers' expectations were the areas of greatest dispute.

The response to the Compensation Survey from law firms this year was substantially up from the last few with 161 managing partners and sole practitioners from across Canada sharing their compensation information with *Canadian Lawyer*. As well, 74 chief legal officers and corporate legal department heads offered insight on the in-house side. The survey, which looked at earnings, salaries, bonuses, perks, and

SHUTTERSTOCK

45%

of firms that responded to the Compensation Survey plan to hire more lawyers in the coming year



other compensation for lawyers working at law firms and in-house legal departments across Canada, provides law firm and law department leaders with insight into current trends as they look to manage their teams.

LAW FIRMS

It may provide some relief to newly called lawyers to hear that 45 per cent of firms that responded to the Compensation Survey plan to hire more lawyers in the

coming year, 53 per cent plan to keep the same number of lawyers, and just two per cent plan to downsize. This year's hire-back numbers for articling students are also better than last year's, another indication that while salaries are not growing rapidly, there is work out there.

The survey shows merit is still the most common compensation method for equity partners, at 44 per cent; 17 per cent said they use equal partnership; four per cent said lockstep; and 35 per

cent use a different method altogether. Fifteen per cent of law firm respondents recorded having partners who get paid more than \$450,000, whereas last year it was 10 per cent.

In terms of targets for lawyers, only 30 per cent of respondents set an annual billable hour target for partners; 10 per cent pay a bonus to partners who reach it, and four per cent enforce a penalty for failing to reach it. It's a bit of a different story for associates with 44 per cent of law firms setting an annual billable hour target for them; 33 per cent pay a bonus to associates who achieve it, and five per cent enforce a penalty to those who come up short.

Thirty-eight per cent of firms have an annual monetary billing target for associates with the greatest number, 45 per cent, falling in the range of \$200,000 to \$300,000. "We do not live by the almighty billable hour, we try to value bill as many of our services as possible," one law firm managing partner commented.

In terms of bonuses, 49 per cent of law firms handed them out to associates in 2011, which is down from 67 per cent in 2010. Of those who handed out bonuses, 55 per cent reported they were discretionary.

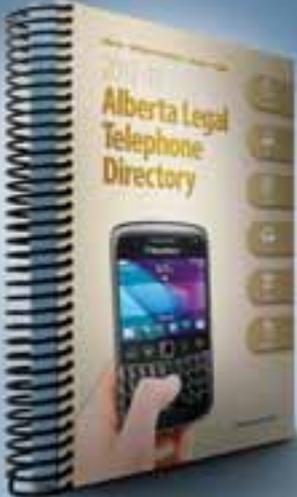
While at many firms partnership agreements, forms of compensation, as well as the bottom line are not necessarily common knowledge, one survey respondent said the firm shares its financial information with associates so they can gain a better understanding of their compensation rates. "It's a very different market at smaller firms and junior lawyers need to understand the business aspect of it and get an accurate picture of what they will get paid at smaller firms," the managing partner said.

And it appears compensation systems are working well for most organizations with only nine per cent of law firms completing the survey saying they plan to alter their compensation methods next year. See charts on opposite page for more on salaries and earnings for associates and partners in law firms.

IN-HOUSE LAWYERS

Responses to this year's survey indicate that corporate legal departments are also functioning under restricted budgets. For

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GEOGRAPHY AND METHODOLOGY

Eighty-four per cent of respondents identified themselves as regional law firms or companies and the remainder as national. Sixty-six per cent employ one to nine lawyers, 23 per cent employ 10 to 49 lawyers, and the remainder have upwards of 50 lawyers. Approximately half (48 per cent) of respondents are based in Ontario, 24 per cent in British Columbia, 17 per cent in Alberta, 13 per cent in Quebec, eight per cent in Nova Scotia, and the remainder are located in the other provinces and territories. There were not enough responses in each region to further break the numbers down.

The compensation figures represent base salary before bonuses or perks. As these can often be quite substantial, they were covered in other questions. For respondents who provided salary ranges instead of solid numbers, those numbers were averaged out and included in the survey's calculations.

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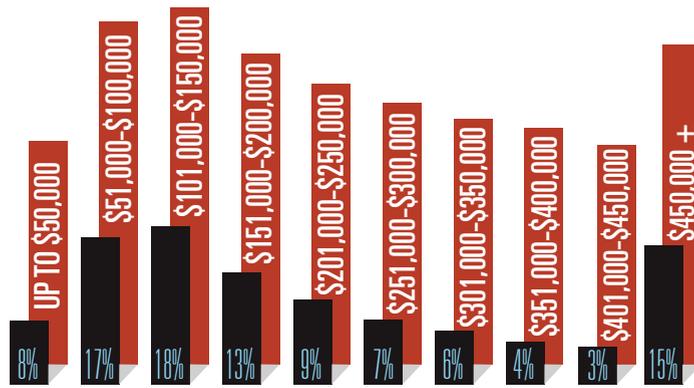
66%

average legal spend budgets in 2012, 30 per cent were under \$500,000 with the same percentage falling in the range of \$500,000 to \$1 million. The remaining 40 per cent were upwards of \$1 million.

When it comes to in-house counsel's salaries, there seems to be a bit more wiggle room with the majority of respondents reporting that salaries will increase in 2013. Corporate legal departments also generally offer greater benefits and perks than law firm respondents, although that may be a reflection more of the size of an organization than of anything else as smaller law firms don't tend to offer many perks or extensive benefits. More than 95 per cent of law department respondents reported their company provides benefits and 65 per cent offer perks such as professional development and health club memberships. A fair number, 70 per cent, also have a pension plan for lawyers.

You're also more likely to receive a bonus working in-house than at a smaller law firm: 62 per cent paid bonuses to lawyers in 2011, with 53 per cent basing it on a percentage of salary.

See the accompanying charts for compensation data for in-house lawyers. **C**



LAW FIRM PARTNER INCOME NATIONAL (SAMPLE SIZE: 129)

ASSOCIATE COMPENSATION NATIONAL (SAMPLE SIZE: 112)

Year of call	Median	Lowest	Highest
2011	\$72,500	\$37,000	\$108,000
2010	\$77,000	\$38,000	\$116,000
2009	\$83,000	\$42,000	\$124,000
2008	\$91,000	\$44,000	\$138,000
2007	\$110,500	\$46,000	\$175,000
2006	\$110,000	\$50,000	\$170,000
2005	\$130,000	\$50,000	\$210,000
2004 and earlier	\$250,000	\$50,000	\$450,000

SENIOR IN-HOUSE COUNSEL COMPENSATION NATIONAL (SAMPLE SIZE: 44)

	Median	Lowest	Highest
General counsel at director level	\$468,242	\$72,500	\$863,984
General counsel at executive level	\$647,500	\$95,000	\$1,200,000

IN-HOUSE COUNSEL AVERAGE COMPENSATION NATIONAL (SAMPLE SIZE: 44)

Year of call	Median	Lowest	Highest
2011	\$77,500	\$55,000	\$100,000
2010	\$93,750	\$60,000	\$127,500
2009	\$117,500	\$85,000	\$150,000
2008	\$100,000	\$60,000	\$140,000
2007	\$112,500	\$75,000	\$150,000
2006	\$125,000	\$90,000	\$160,000
2005	\$120,000	\$75,000	\$165,000
2004	\$132,500	\$85,000	\$180,000
2003	\$150,000	\$100,000	\$200,000
2002 and earlier	\$167,500	\$60,000	\$275,000