

***Canadian Lawyer's* annual compensation survey shows all earnings on the rise but associates likely having to do more for their money.**

By Michael McKiernan

On the upswing

Associate salaries are back on the upswing, but new lawyers may have to do more for their money in the future, judging by the results of *Canadian Lawyer's* 2014 Compensation Survey. After two straight years of decline, first-year associates saw a significant 21-per-cent bump in salary, with the median hitting \$80,000 in this year's survey, up from \$66,000 in 2013. That's the highest level since we started compiling the survey in this format in 2010.

For in-house counsel called last year, the jump in the national average was a more modest, but still generous, 11 per cent, to \$89,000 from \$80,000. Grouped by year of call, new lawyers in every category saw average wages rise over last year's survey, from one year out, to more than eight years out.

Optimism was also the order of the day looking ahead to 2015, with two-thirds of respondents predicting salary rises again next year, some by up to 15 per cent. About 48 per cent of firms are on the lookout for new lawyers this year, up from 40 per cent last year, with just two per cent planning to downsize.

But before anyone gets carried away, the survey also highlighted the ongoing generational war being fought within many of the country's law firms, with senior lawyers consistently identifying associate expectations as a chief source of dispute when setting compensation rates. "Associates always want higher wages,

“MILLENNIALS EXPECT TOO MUCH MONEY TOO QUICKLY.”

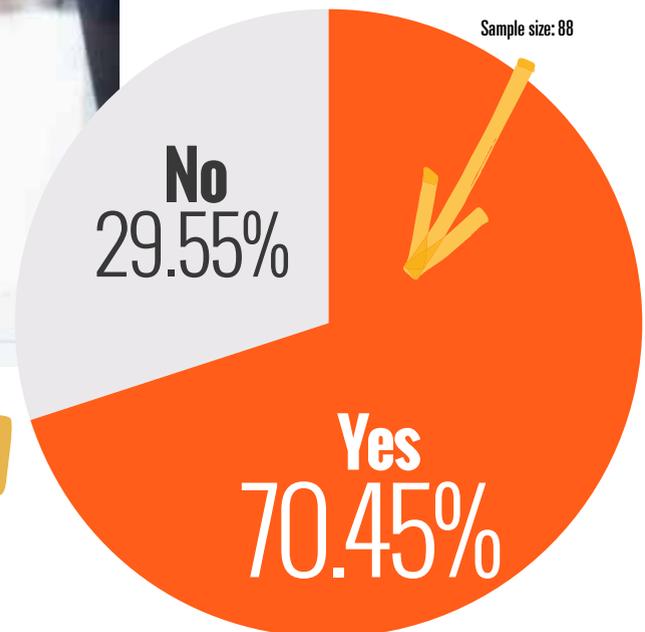
ASSOCIATE COMPENSATION NATIONAL

Sample size: 93

Year of Call	Median	Lowest	Highest
2013	\$80,000	40,000	105,000
2012	\$85,000	50,000	124,000
2011	\$90,000	47,000	124,000
2010	\$101,500	60,000	130,000
2009	\$112,500	84,000	153,000
2008	\$125,000	80,000	160,000
2007	\$120,000	90,000	160,000
2006 and earlier	\$145,000	55,000	400,000

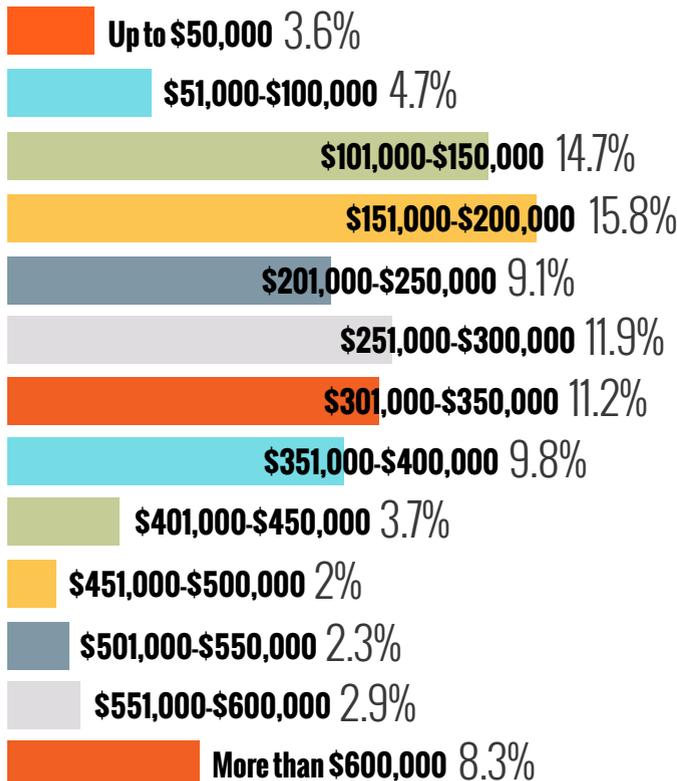
DID YOU PAY BONUSES TO ASSOCIATES IN 2013?

Sample size: 88



PARTNER COMPENSATION NATIONAL

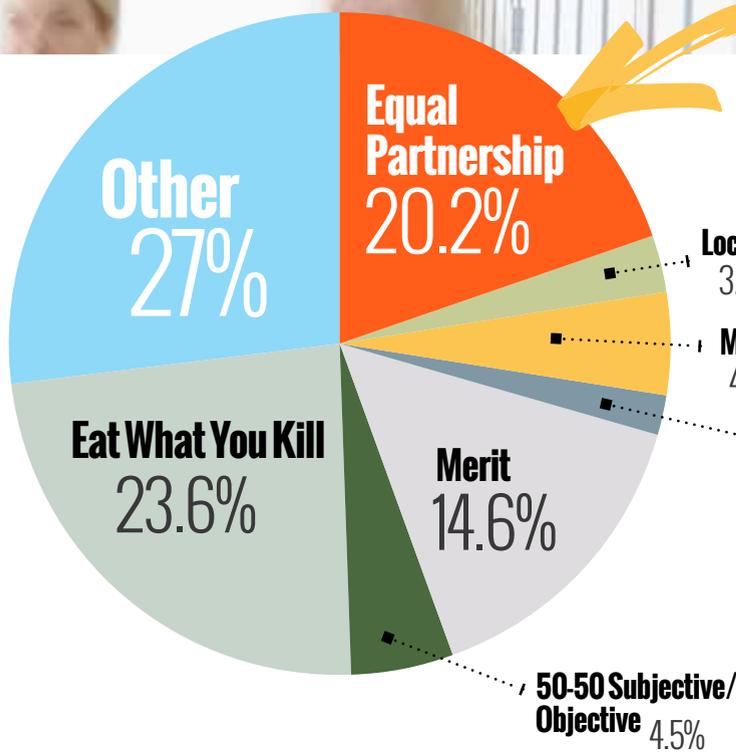
Sample size: 98



but don't want to produce more income to the firm," said one Alberta managing partner. A regional Ontario counterpart complained about "small city associates wanting Toronto rates of remuneration." The head honcho at a small Toronto firm wrote, "Millennials expect too much money too quickly." He advises associates to come to terms with the fact "they have to work themselves to the bone for a few years before they become entitled to the big salaries."

That expectation gap could help explain a big leap in the proportion of firms setting billable hour targets for associates. This year, 60 per cent of respondents set a target, up from 49 per cent last year. In 2011, less than a third of participants (most of which are smaller-sized firms) reported setting such targets. The median number of hours expected from associates also went up over last year, to 1,470 from 1,403 per year — well below the targets at the large national and global firms. Thankfully for those not quite up to the job, just seven per cent of firms penalize a missed target, while 39 per cent awarded bonuses for hitting the magic number.

Other methods of tying salary to performance are also



WHAT COMPENSATION METHOD DOES YOUR FIRM USE FOR EQUITY PARTNERS?

Sample size: 89

WHAT COMPENSATION METHOD DOES YOUR FIRM USE FOR NON-EQUITY PARTNERS?

Sample size: 42



IN THE COMING YEAR, YOUR FIRM WILL...

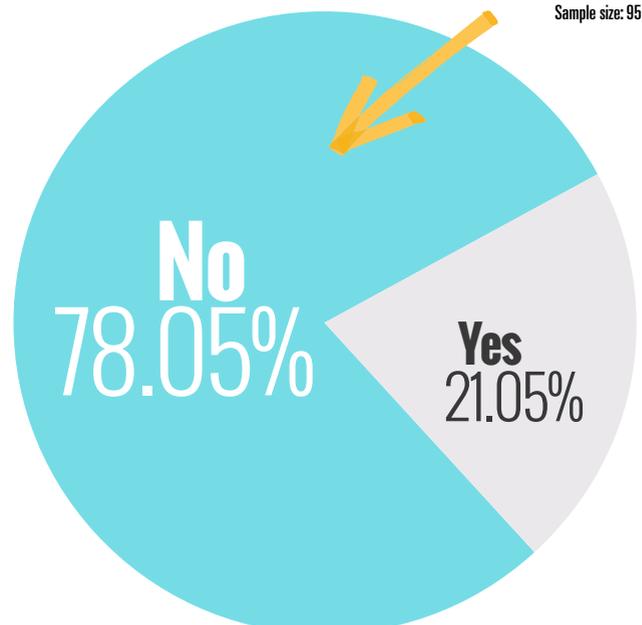
Hire more lawyers 47.6%

Keep the same number of lawyers 50.5%

Downsize 1.9%

DOES YOUR FIRM HAVE A TWO-TIER (I.E. EQUITY AND NON-EQUITY) PARTNERSHIP STRUCTURE?

Sample size: 95



on the increase, with 49 per cent setting a monetary target for associates, up from 40 per cent in 2013. Of those firms that have a target, more than half set the bar above \$200,000, while 44 per cent pay a bonus to lawyers who achieve the target. Commissions are paid to associates on files at 26 per cent of firms, up from 20 per cent last year. Typically, the commission rate was around 10 per cent, but in one case rose as high as 70 per cent.

Carrie Heller, president of legal recruitment firm the Heller Group, says associates at firms of all sizes are feeling the pressure to bring money into the firm. "Most firms, even larger ones, are zoning in on the ability to generate business earlier and earlier," she says. "Maybe not in the first year, but certainly by the fifth year, they're trying to teach mid-level associates how to market themselves and think about what they have to do to be viewed as someone who can generate business."

According to our survey, the only people causing managing partners as much grief in the compensation department as their associates are their co-owners. "Partner inequities" and "partner percentages" were common headaches cited



IN BAD TIMES, YOU BECOME VERY AWARE OF WHAT EVERYONE ELSE IS MAKING.



SENIOR IN-HOUSE COUNSEL COMPENSATION BY INDUSTRY

Sample size: 53

Sector	Gov't	Financial	Industrial/ Manufacturing	Resource-based	Service	Technology	Non-profit	Professional Services
Average GC at director level	\$149,000	142,000	244,000	180,000	160,000	209,000	160,000	150,000
Average GC at executive level	\$159,000	198,000	224,000	266,000	196,000	242,000	169,000	222,000

SENIOR IN-HOUSE COUNSEL COMPENSATION

Sample size: 53

	Median	Lowest	Highest
General counsel at director level	\$170,000	100,000	500,000
General counsel at executive level	\$200,000	90,000	500,000

IN-HOUSE COUNSEL COMPENSATION

Sample size: 71

Year of Call	Median	Lowest	Highest
2013	\$89,000	62,267	100,000
2012	89,000	66,430	130,000
2011	93,500	70,593	140,000
2010	97,000	76,144	155,000
2009	\$115,000	81,694	190,000
2008	\$115,000	88,168	160,000
2007	\$130,000	89,000	175,000
2006	\$128,000	96,738	175,000
2005	\$150,000	98,880	208,000
2004 and earlier	\$150,000	89,000	350,000

by respondents. Heller says the profit allocation problem has been around as long as there have been law firms. "I've been hearing that forever, and I think always will," she says. "In good times when everyone is making money, it's less of an issue. Even then, you might think you deserve a bit more of the pie. In bad times, you become very aware of what everyone else is making."

Luckily, this year was a good one for most partners according to the survey, with 51 per cent of firms reporting an increase in partners' earnings in the last year. However, reminders of the delicacy of the market recovery are never too far away. Around nine per cent of firms de-equitized partners in the last year, while the Heenan Blaikie LLP collapse (read more in this month's cover story) is fresh in everyone's minds. "That really hit home for so many people. A lot of people have taken a step back, and had a good look at their own firms. There's a recognition that if it could happen to such a well-regarded and well-established firm, it could happen to anyone," says Heller.

Eat-what-you-kill remained the most popular compensation method for partners, in place at just under a quarter of firms surveyed. Around 30 per cent of partners' compensation fell between \$100,000 and \$200,000 across the country, with 8.3 per cent bringing home over \$600,000 per year.

About 87 per cent of firms offer benefits to partners and associates, accounting for around 10 per cent of compensa-

tion on average. Perks such as professional development and health club memberships were offered at 71 per cent of respondent firms, but fewer than five per cent offered pension plans to lawyers.

IN-HOUSE COUNSEL

Corporate legal departments foresee a similar year this year to last, with just over a third of respondents budgeting less than \$500,000 for legal spend. A further 43 per cent have set aside between \$500,000 and \$2 million. Seventeen per cent of respondents went between \$2 million and \$5 million, with almost six per cent budgeting over \$5 million.

Senior in-house salaries went up over last year's survey, although they didn't do quite as well as the 11 per cent bump in wages for recently called lawyers. At the director level, the median pay of general counsel was up 10 per cent to \$170,000 from \$155,000, while at the executive level, a three-per-cent boost saw average remuneration go to \$200,000 from \$195,000.

Overall, 74 per cent of respondents predicted another rise in 2015, while a similar proportion, 73 per cent, paid bonuses to lawyers last year. Of those, 63 per cent paid a percentage of salary, with most falling in the 10- to 25-per-cent range. However, at least one company in the resources industry offered lawyers the chance to double their pay with a 100 per cent bonus for hitting targets. 

GEOGRAPHY AND METHODOLOGY

Of this year's 232 respondents, 70 per cent identified themselves as regional, 24 per cent said they were national, and 16 per cent were global. The vast majority, 69 per cent, of law firms contained between one and nine lawyers, while a further 24 per cent had between 10 and 49, with the rest 50 or over. Just over a third of firms, 36 per cent, were full service.

Sixty-two per cent of firms operate out of just one office, 24 per cent had between two and four offices, six per cent had between five and 10 offices, with eight per cent more than 10.

Geographically, 50 per cent of respondents had a presence in Ontario. B.C. (34 per cent) and Alberta (28 per cent) were also well-represented. Quebec contained a base for 16 per cent of respondents, while 12 per cent had an office outside the country. Nine per cent of respondents have an office in Nova Scotia, with the rest scattered across the other provinces and territories. The numbers total more than 100 per cent because some respondents have offices in more than one location.

The compensation figures in the tables represent base salaries before benefits and other perks, which were covered in other questions, and where respondents provided a range instead of a single number, the midpoints were included in the results.



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