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Starting to toll on billable hour

The 2015 Canadian Lawyer **Compensation Survey** shows few firms making billable hour targets the sole standard for compensation.

By Michael McKiernan

The bells may have finally started tolling for the billable hour, according to the results of *Canadian Lawyer's* 2015 Compensation Survey.

Already threatened by the spectre of alternative business structures and a wave of upstart law firms with innovative business models, the billable hour has also come under fire from access to justice advocates and even judges in recent times. Now our survey suggests law firms are looking elsewhere when it comes to measuring the work product of their lawyers.

Just 34 per cent of respondents reported billable-hour targets for associates at their law firms, down from 60 per cent in 2014. For those with targets, only 27 per cent offer bonuses to those that hit the magic number, also significantly down on last year's

Does your firm have annual billable-hour targets for:

Partners

Sample Size: 40 firms



Associates

Sample Size: 35 firms



Associate compensation (National)

Sample Size: 23 firms

Year of call	Median	Lowest	Highest
2014	\$65,000	\$45,000	\$85,000
2013	84,500	55,000	100,000
2012	90,000	52,000	125,000
2011	97,500	63,000	125,000
2010	115,000	95,000	150,000
2009	120,000	102,500	150,000
2008	120,000	110,000	200,000
2007 and earlier	130,000	50,000	250,000

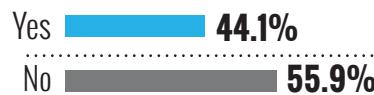
Will associate salaries increase in 2015?

Sample Size: 34 firms



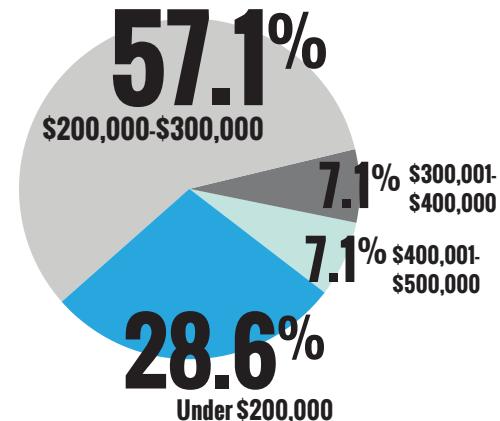
Does your firm have an annual monetary billing target for associates?

Sample Size: 34 firms



If yes, what range is it in?

Sample Size: 14 firms



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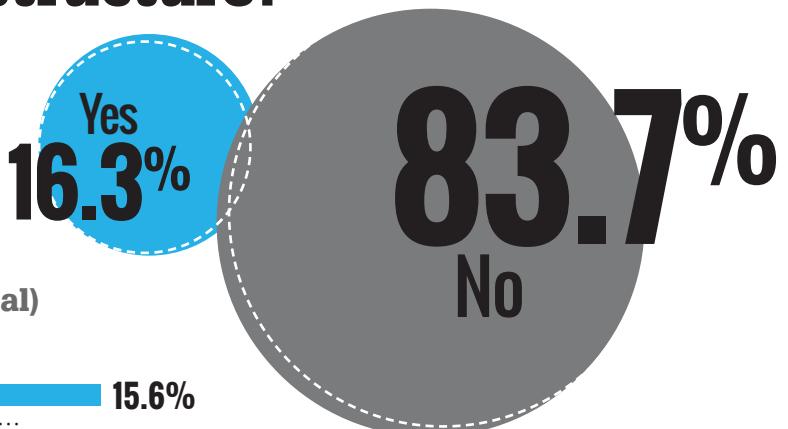
figure, 39 per cent. Among partners, the rate was even lower, with 28 per cent reporting a billable-hour target, and fewer than 10 per cent of those offering bonuses for successfully hitting it.

Monetary targets for associates were more popular among respondents, with 44 per cent of firms setting them for associates, with the incentive of a bonus at 39 per cent of those with targets.

Carrie Heller, president of legal recruitment firm The Heller Group, says the reduced emphasis on billable hours was exemplified by the recent overhaul of the bonus structure at Bay Street behemoth Gowling Lafleur Henderson LLP. Earlier this year, the firm announced it would begin factoring in mentorship, client generation, and other non-billable work when assigning associate bonuses. "It's not just about someone who can put their head down

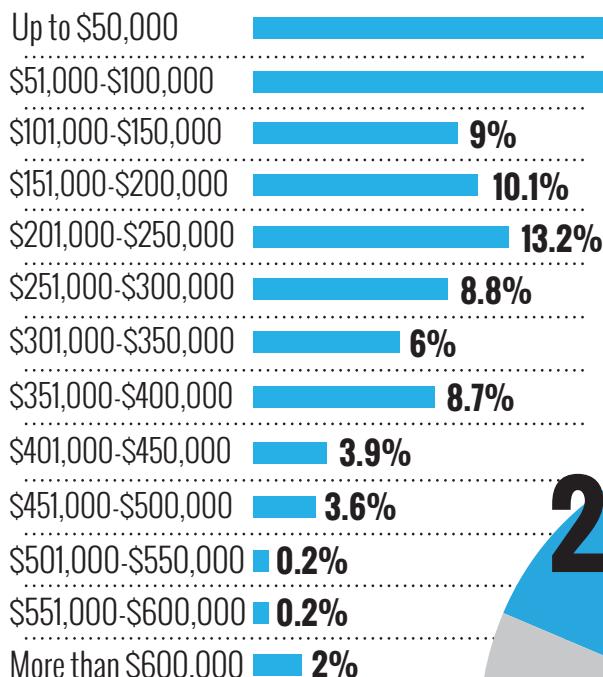
Does your firm have a two-tier partnership structure?

Sample Size 43



Partner compensation (National)

Sample Size: 45 firms



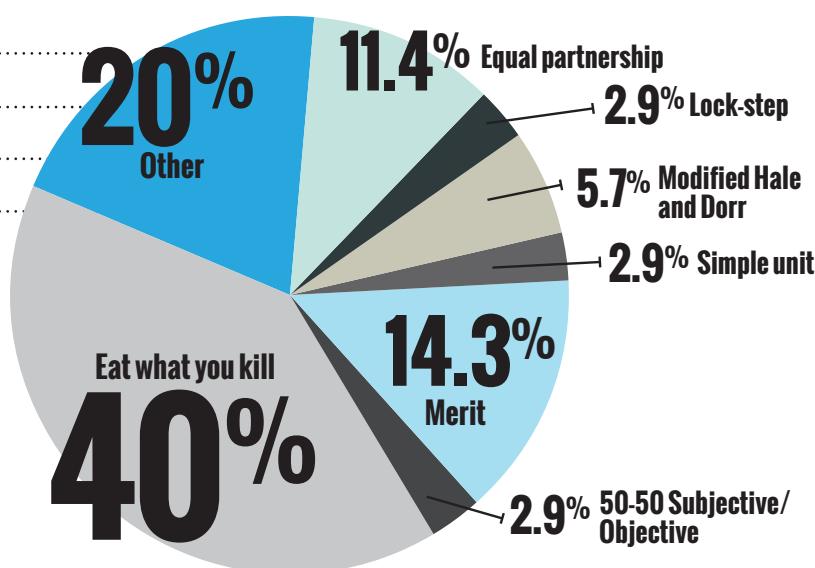
and churn the work out any more," says Heller. "Firms ideally want to see an associate who can work hard, and has the technical ability, but also one who can generate work for the firm. Those are the ones that are going to be considered for partnership."

At smaller firms, revenue generation has long been incentivized with commissions on work brought in, and the survey showed 39 per cent of respondents offered some sort of commission to associates, up from 26 per cent last year. The value of the commission varied between 10 and 50 per cent, depending on the firm.

Heller says the legal market overall feels cautiously optimistic in Canada: "It's not booming by any means, but things are picking up and confidence is starting to grow," she says.

What compensation method does your firm use for equity partners?

Sample Size 35 firms



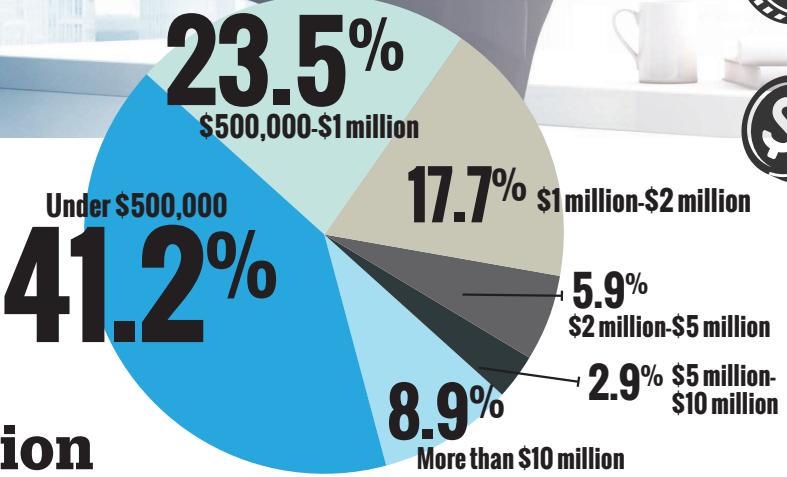
Did partner earnings increase in the last year?

Sample Size: 45 firms



In-house legal spend budget

Sample Size: 34 departments



In-house counsel compensation by industry

Sample Size: 34 departments

	Gov't	Financial	Industrial/ manufacturing	Resource- based	Service	Technology	Non-profit
Average GC at director level	\$150,000	\$190,500	\$200,000	\$160,000	\$142,000	\$143,500	\$169,000
Average GC at executive level	204,000	196,750	400,000	365,000	200,000	145,000	192,500

Senior in-house counsel compensation

Sample Size: 34 departments

Median Lowest Highest

General counsel at director level	\$160,000	\$100,000	\$290,000
General counsel at executive level	200,000	90,000	590,000

In-house counsel compensation

Sample Size: 34 departments

Year of call	Median	Lowest	Highest
2014	\$64,000	\$40,000	\$87,000
2013	65,000	45,000	125,000
2012	91,500	50,000	125,000
2011	95,000	55,000	160,000
2010	107,000	60,000	175,000
2009	109,000	65,000	177,500
2008	117,000	70,000	185,000
2007	127,000	80,000	200,000
2006	158,000	90,000	210,000
2005 and earlier	167,500	90,000	520,000

The caution was reflected in the survey results, with just 24 per cent of respondents reporting plans to hire more lawyers next year. On the bright side, only 1.6 per cent planned to downsize, with almost three-quarters of law firms expecting to stick with the status quo.

After a spike last year, first-year associate salaries dropped back to 2013 levels, with the median amount across the country standing at \$65,000, down from \$80,000 in 2014. Lawyers two, three, four, and five years out attracted broadly similar salaries to last year, according to the survey results. The outlook is good though, with 57 per cent of respondents currently budgeting for an associate wage rise next year, mostly between five and 10 per cent.

At the other end of the legal food chain, partners increased their earnings at 56 per cent of respondent law firms, but it wasn't all good news, with five per cent de-equitizing partners in the last year. "Eat what you kill" remained the most popular method of dividing the pot, in place at a full 40 per cent of respondents, up from 24 per cent in 2014.

About 40 per cent of firms offer benefits to partners and associates, accounting for around five per cent of compensation on average. Perks such as professional development and health club membership were offered at 46 per cent of respondent firms.

In-house counsel

Corporate legal departments foresee a similar



year this year to last, with around 41 per cent of respondents budgeting less than \$500,000 for legal spend. A similar proportion have set aside between \$500,000 and \$2 million. Six per cent of respondents went for between \$2 million and \$5 million, with almost 12 per cent budgeting over \$5 million.

Newly hired in-house counsel saw salaries dip sharply according to the survey, with the median 2014 call earning \$64,000, compared with \$89,000 last year. Two-year calls also saw significant drops, earning on average \$65,000, down from \$89,000 in 2014. Grouped by year of call, in-house lawyers in most other categories saw slight decreases in average wages over last year's survey.

At the senior level, in-house salaries were similar to last year's survey. For directors, the median pay of general counsel was down to \$160,000 from \$170,000, while at the executive level, it was \$200,000, exactly the same as last year.

Overall, 76 per cent of respondents predicted another rise in 2016, while 65 per cent paid bonuses to lawyers last year. Of those, 52 per cent paid a percentage of salary, with most falling in the 10 to 25 per cent range. **CL**

Geography and methodology

Of this year's 151 law firms and in-house legal departments that responded, 72 per cent identified themselves as regional, 15 per cent said they were national, and a further 13 per cent were global. The vast majority; 75 per cent, of law firms and law departments contained between one and nine lawyers, while a further 18 per cent had between 10 and 49, with the rest 50 or over. About a third of firms; 33 per cent, were full service.

Sixty per cent operate out of just one office, 23 per cent had between two and four offices, 12 per cent had between five and 10 offices, with five per cent more than 10.

Geographically, 61 per cent of respondents had a presence in Ontario, B.C. (21 per cent), and Alberta (21 per cent) were also well represented. Quebec contained a base for 15 per cent of respondents, while 16 per cent had an office outside the country. Seven 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 following 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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