



# It's not all about the money

**This year's *Compensation Survey* shows salaries fairly static, with increases and decreases in some areas, but law firms are definitely providing more non-monetary benefits.**

*By Michael McKiernan*

**I**f money talks, then its voice got a little softer for associates in 2016, according to the results of *Canadian Lawyer's* annual Compensation Survey.

Despite a 12-per-cent bump in salary to \$73,000 from \$65,000, the average new call still rakes in significantly less than the \$80,000 peak set in 2014, according to the survey. Meanwhile, for lawyers two to six years out, median wages were largely static compared with 2015, and in fact slight cuts were more likely than incremental boosts to pay packets.

At the other end of the experience spectrum, the median pay for associates with more than seven years under their belt continued on the downward trajectory established in the last few years, hitting \$125,000, down from \$130,000 in 2015, and even further below the \$145,000 peak set in 2014.

The results don't surprise Gene Roberts, the division

leader at Robert Half Legal in Toronto, who says law firms have reacted to the changing desires of younger lawyers. "It's not all about salary any more," Roberts says. "That's still an important factor, but what we're seeing is more emphasis on things like longer parental leave, opportunities for sabbaticals, and better benefit packages. Firms are realizing that work-life balance is very important."

Roberts' suspicions are borne out elsewhere in the survey, where 56 per cent of respondents said they offered benefits, up from 40 per cent in 2015, while 55 per cent provided perks such as professional development and health club memberships, up from 46 per cent in 2015. Almost 10 per cent also said they sponsor a pension plan, compared with a negligible number of respondents last year, and around four per cent of firms in 2014. "Recruiting and retention are becoming much more the focus for law firms, which has meant lots of enhancements to benefits and career advancement opportunities; the things

people are looking for as job seekers,” says Roberts.

However, the survey delivers good news for those who prioritize cold, hard cash above the more abstract elements of compensation: 71 per cent of respondents forecast a salary boost for associates in 2017, ranging typically between two and 10 per cent on top of current levels.

Our respondents also struck an optimistic tone when it comes to hiring plans, with 42 per cent planning to increase their lawyer count by the end of 2016, up from 24 per cent at the same time last year, while just over six per cent of firms predict a downsizing.

According to Colin Cameron, a Vancouver-based law firm management consultant, intangibles are also in vogue in the upper echelons of law firms, despite the enduring popularity of simplistic profit allocation methods such as eat-what-you-kill. EWYK remained the most popular partner compensation method in our survey, used by 35 per cent of responding law firms, but that was down from 40 per cent in 2015.

Cameron predicts the proportion will fall further as partners continue to search out new ways to measure and reward subjective leadership accomplishments that don't show up in spreadsheets of billable hours and direct revenue generation. “It's certainly simpler, and in some ways more transparent, to focus on those factors that you can easily put a number to. It's more difficult to evaluate how good someone's training is, whether they're supervising associates properly, and how their project management skills are,” says Cameron. “But I think more and more the trend is for firms to realize they need to recognize these contributions if they're going to increase their long-term profitability.”

However, the transition often proves tricky, as one respondent at a mid-sized Western law firm complained: “Migrating to a revised compensation model while senior partners oversee the compensation process” has led to problems in “succession planning and rewarding business development efforts” at the firm, they wrote.

“Often there will be different interests between partners, who are perhaps closer to retirement and thinking about cashing out in the short term, versus younger partners just starting out, who are more likely to be thinking longer term,” Cameron says.

The short-term news was good at 56 per cent of responding firms, where partner earnings increased last year, according to the survey, although that figure may have benefited in part from the de-equitization of partners, which was reported at around nine per cent of respondents.

## 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 further 45 per cent have set aside between \$500,000 and \$2 million, while almost 14 per cent have budgeted more than \$10 million.

## Associate compensation

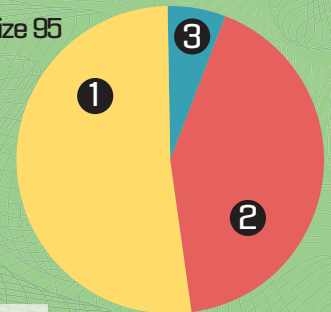
(national) Sample size 30

Year of Call	Median	Lowest	Highest
2015	\$73,000	\$50,000	\$95,000
2014	83,000	57,000	110,000
2013	90,000	55,000	120,000
2012	100,000	60,000	120,000
2011	109,500	78,200	130,000
2010	120,000	90,000	130,000
2009	126,250	93,000	200,000
2008 and earlier	125,000	75,000	265,000

## In the coming year, your firm will...

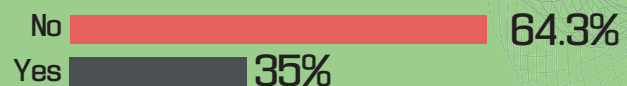
Sample size 95

- 1 Keep the same number of lawyers 51.6%
- 2 Hire more lawyers 42.1%
- 3 Downsize 6.3%



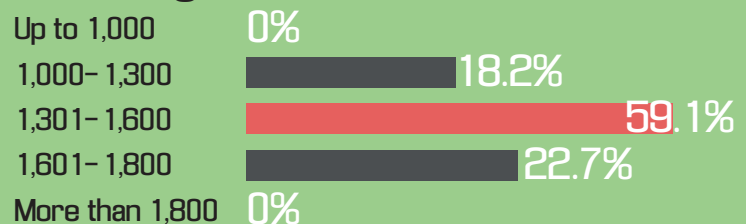
## Will associate salaries increase in 2017?

Sample size 42



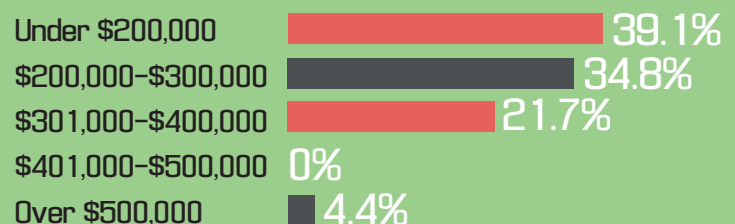
## Associate billable hour targets

Sample size 54



## Associate monetary billing target

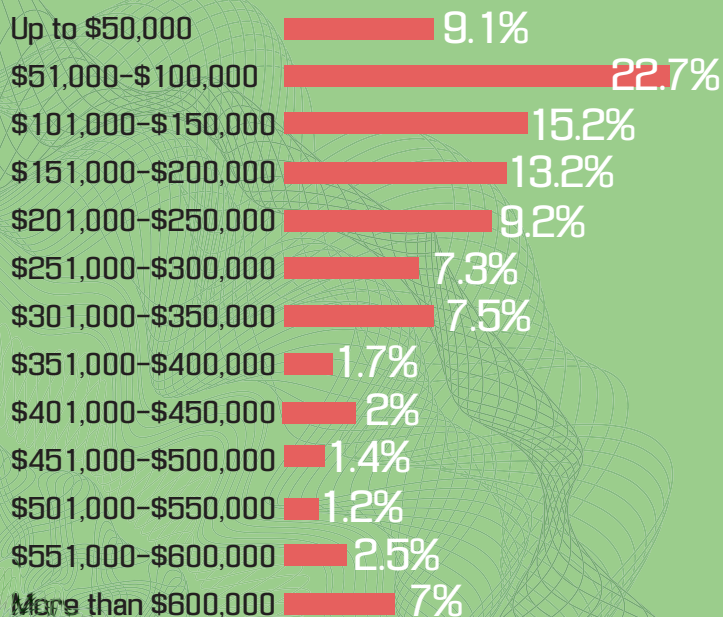
Sample size 23





## Partner compensation

(national) Sample size 79



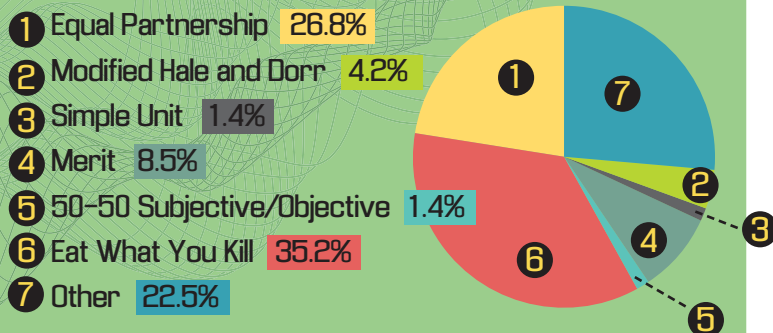
## Did partner earnings increase in the last year?

Sample size 79



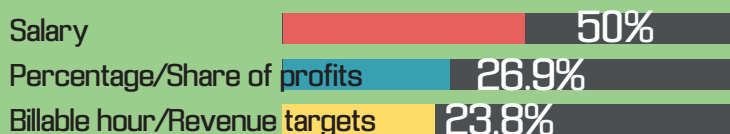
## What compensation method does your firm use for equity partners?

Sample size 71



## Non-equity partner compensation method

Sample size 26



## Does your firm have a two-tier partnership structure

Sample size 75

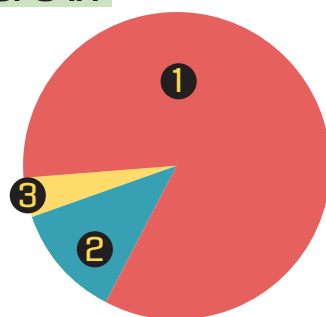
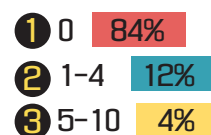


## How many staff lawyers are there in your firm?



## How many of counsel lawyers are there in your firm?

Sample size 54



Newly hired in-house counsel saw salaries bounce back after a sharp fall last year, with the median 2015 call earning \$73,000, up 14 per cent compared with last year's \$64,000. However, that was still well short of the \$89,000 average recorded in 2014. Two-year calls were also big winners, earning \$90,000, up from \$65,000 in 2015.

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 \$151,000 from \$160,000, while at the executive level, it was \$200,000, exactly the same as last year.

Overall, 70 per cent of respondents predicted a pay rise in 2017, while 64 per cent paid bonuses to lawyers last year. Of those, 73 per cent paid a percentage of salary, with most falling in the 10- to 25-per-cent range, but some going as high as 50 per cent.

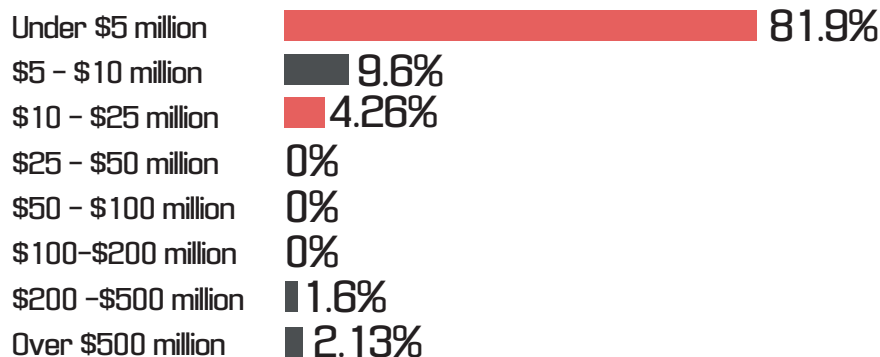
## Geography and methodology

Of this year's 194 respondents, 60 per cent identified themselves as local firms, 21 per cent said they were regional, 10 per cent were national, and a further nine per cent were global. The vast majority, 75 per cent, of law firms contained between one and nine lawyers, while a further 24 per cent had between 15 and 49, with the rest 50 or more.

Sixty-nine per cent of firms operate out of just one office, 17 per cent had between two and four offices, nine per cent had between five and 10 offices, and five per cent had more than 10.

## Law firm revenues 2015 gross revenue (before tax and partner draws)

Sample size 94



Geographically, 52 per cent of respondents had a presence in Ontario. B.C. (28 per cent) and Alberta (20 per cent) were also well represented. Quebec contained a base for 10 per cent of respondents, while nine per cent had an office outside the country. Another nine per cent of respondents had 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. **CL**

## In-house counsel compensation by industry

Sample size 30

	Gov't	Financial	Industrial/ manufacturing	Resource- based	Service	Technology	Non-profit	Professional services
Average GC at director level	\$152,000	\$150,000	\$215,000	\$180,000	\$150,000	\$185,000	\$160,000	\$150,000
Average GC at executive level	188,000	200,000	209,000	230,000	220,000	185,000	171,250	307,500

## Senior in-house counsel compensation

Sample size 30

	Median	Lowest	Highest
General counsel at director level	\$151,000	\$105,000	\$252,000
General counsel at executive level	200,000	81,000	450,000

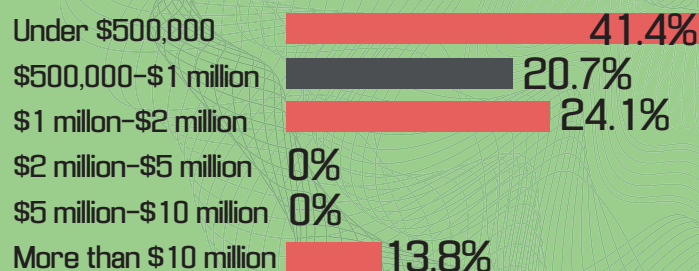
## In-house counsel compensation

Sample size 30

Year of Call	Median	Lowest	Highest
2015	\$73,000	\$69,000	\$82,000
2014	90,000	75,000	100,000
2013	94,000	80,000	113,300
2012	108,000	88,000	130,000
2011	112,500	93,000	150,000
2010	121,000	104,000	150,000
2009	128,500	106,000	155,000
2008	130,000	106,000	167,500
2007	137,000	106,000	168,000
2006 and earlier	150,000	81,000	315,000

## In-house legal spend budget

Sample size 29



## Will salaries increase in 2017?

Sample size 30

