

Compensation **growth**

Lawyer salaries have seen an increase overall, but so have the expectations of those doing the hiring

By Marg. Bruineman

Prospects appear to be somewhat brighter for lawyers as law firms and legal departments settle into 2017, with many looking to add to their complement of lawyers while also indicating slight increases in compensation. But the environment in which today's new lawyer works is more demanding than ever.

There's no question firms are seeing a more competitive environment with demanding clients and ever-increasing costs as reliance on technology increases, leaving partners and associates to prove their worth, say observers. Yet, they add, firms need to remain competitive as they recruit legal talent and must be seen to be desirable with attractive compensation to match for both new lawyers and more experienced ones looking to move on.

At the same time, there is a trend for many corporate legal departments to send less work out the door, building, instead,

upon their in-house staff. And most of those participating in *Canadian Lawyer's* annual Compensation Survey, 62 per cent, indicated salaries in legal departments are likely to increase in 2017. By far the most, 79 per cent, indicated they would rise two to four per cent, while 11 per cent said they would go up by only one per cent or less. Another 11 per cent said they would go up eight to 10 per cent.

Law firms also showed some optimism through the survey, with 59 per cent of respondents indicating earnings for partners increased in 2016 over the previous year. Salaries for associates are directionally more likely to increase compared to 2016 with 65 per cent of respondents indicating the likelihood that compensation will go up this year. Meanwhile, 48 per cent of firms indicated they will hire more lawyers in the coming year, while 47 per cent are expecting to keep the same number and six per cent will reduce the number of lawyers.

Sara Lutecki, division director for Rob-

ert Half Legal in Toronto, has seen that upward movement in salaries. But, she says, there is another trend associated with increase and that is responsibility. With more money comes a higher expectation.

New lawyers are increasingly expected to do more and they're now expected to bring something else to the table. They'll take on a larger workload and be handed more tasks and that might be without the support of an assistant.

"The reason it might be going a little bit higher is that they do need fewer of them. They will have more responsibilities, which is what goes along with that," she says. "A little bit more of an increase in compensation, but also more duties upon them.

"We just find they're looking for a more well-rounded candidate, so somebody who has the strong technology skills, somebody who may have more than one language."

Those salary increases are generally quite modest, she adds, although "hot candidates" working in commercial litigation,

BLAIR KELLY

insurance defence, litigation — especially in-house and standard corporate work — are receiving multiple offers and a boost in compensation beyond the typical three to five per cent standard of living increases.

Lutecki says she has also noticed corporate legal departments relying increasingly upon in-house lawyers and building up that capacity, although much of it, she adds, is contract work instead of straight out hiring.

In fact, when outside legal work reaches a certain level, Coca-Cola in Canada will consider bringing another lawyer aboard, says Scott Kirkpatrick, vice president and general counsel. In addition to potential cost efficiencies, the advantage to having that work done in-house is the built-in familiarity with the business as well as the related pressures and constraints. “I call it my 500 rule: Any time you send more than 500 hours of work out in any single area on an annual basis, that business would likely be better to hire someone in-house,” he says.

Kirkpatrick says there is further potential that Coca-Cola, which currently has three lawyers as well as a secondment student on loan from a law firm, may add to its legal department this year as the company does some restructuring that could see the single legal department split into two.

Kirkpatrick sees increasing advantages for lawyers working for corporations and their in-house legal departments. The expectation for lawyers as they launched into their careers at law firms during the last several years was to anticipate more modest salaries and there was a downward slide in the median pay for more experienced associates.

“There [at in-house legal departments] is continually a trend upward, which, of course, is contrasted by what we’ve seen at large Bay Street firms where effectively over the last 10 to 15 years associate salaries have been very much locked in,” he says. “At the very least, businesses are keeping up with inflationary measures.”

And the added advantage companies have over firms is long-term career opportunities, pensions, annual and long-term incentives as well as car allowances. Indeed, the survey showed that 80 per cent of legal departments offer some kind of perk, although, for nearly half, their value represents one per cent or less of the

lawyer’s compensation. But 64 per cent of respondents said they have a company pension plan and another 67 per cent said bonuses, representing at least five per cent of their compensation, are part of the equation as well.

The survey showed that 66 per cent of law firms also pay bonuses to associates. For 33 per cent of those, it represented less than five per cent of salaries. Benefits were offered at 57 per cent of the responding firms and 58 per cent offered perks.

No matter which way salaries swing, however, both legal departments and law firms seeking to recruit top talent need to remain competitive and ensure that what they’re offering both associates and partners remains enticing. So they’re trying to maintain that balance of ensuring profitability while offering good compensation.

That competition is very evident in Calgary where lawyer salaries have been, historically, second only to those in Toronto, observes McLeod Law LLP’s managing partner Robin Lokhorst. Calgary is also home to international, national, regional and local law firms. “It raises the bar for all of us for the available talent,” says Lokhorst.

“One of the reasons for that is having the national and international players here and we’re competing for the same talent in many cases. We all have to pay more in order to get that person in the door. They have expectations in terms of ongoing salary and compensation.”

And even though the economy in the resource-rich Canadian Prairies has been hard hit by plunging oil prices, McLeod continues to build its two Calgary offices with its current total of 49 lawyers. Between attrition and growth, Lokhorst expects the firm to add four or five associates over the next 12 months.

McLeod’s decision to stay out of the oil patch has also allowed it to continue to increase its compensation to new hires, defying the recent trend to keep salaries flat. The firm has concentrated on areas of law such as litigation, real estate, corporate and commercial. “Our clientele has not been impacted as much as say a firm that’s specialized in oil and gas,” he says.

Aaron Munro’s observations as accounting manager at Robertson Stromberg LLP in Saskatoon are quite different. He describes the Saskatchewan market as having been in something of a bubble as much

of the rest of the country experienced an economic slowdown around 2008. It has only been during the past couple of years as mining and the natural resources sector experienced a sudden decline that things have slowed down.

“The appetite to hire isn’t as great. I would say generally in the last six years — somewhere between 2010 and 2013 — we saw quite an increase in associate salaries throughout the province. There was a lot of competition between firms for associates and that has really slowed down in the last year or two. I’d say we’re not quite as optimistic in Saskatchewan as what it appears people are in the rest of Canada right now,” says Munro. “It strikes me as very odd that Saskatchewan seems to be experiencing things in an inverse fashion from everyone else.”

But no matter what the geography, Stephen Mabey says law firms are all under pressure to do more with less. Costs are increasing, with technology expected to become the law firm’s second highest expense after salaries. And the revenue line is flat or being squeezed downward. Mabey, a chartered professional accountant and the managing director of Applied Strategies Inc., servicing law firms, doesn’t expect that to change.

“So most firms who aren’t innovative or finding ways to deliver legal services cheaper, faster, quicker, better are just going to see their profits eroding,” says Mabey. “Good lawyers with good books of clients are going to gravitate toward firms that could deliver legal services in the best cost-effective manner to clients and services clients and works with their clients.”

Mabey expects more reliance on technology, such as document review programs, to help firms save money. But that does require a lawyer adept at technology to oversee the process and ensure its accuracy and understand possible weaknesses. Today’s lawyers, he says, definitely have more on their plates than they would have had a decade ago.

Indeed, there is more of a focus on profitability at firms, says Derek Schutz, product manager at Atlanta-based technology services provider Aderant, where he helps firms with 20-plus partners. “In North America, I think people are looking at their law firm as a business and, therefore, profitability has a much higher sway,” he says. **CL**

Compensation Survey

Of this year's 226 respondents in *Canadian Lawyer's* annual Compensation Survey, 43% identified themselves as local firms, 32% said they were regional, 14% said they were national

and a further 10% were global. The vast majority — 48% — of law firms or legal departments contained two to nine lawyers, with 23% containing one lawyer. A further 17% contained 10-49 lawyers, 5%

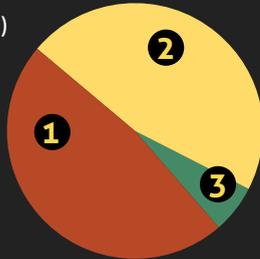
ASSOCIATE COMPENSATION (NATIONAL) (Sample size 57)

Year of call	Less than \$25,000	\$25,000 to \$40,000	\$40,001 to \$65,000	\$65,001 to \$80,000	\$80,001 to \$95,000	\$95,001 to \$110,000
2015 - 2016	5%	2%	39%	26%	11%	9%
2012 - 2014	12%	0%	19%	21%	18%	9%
2009 - 2011	14%	2%	4%	21%	16%	9%
2008 and earlier	9%	2%	4%	12%	14%	9%

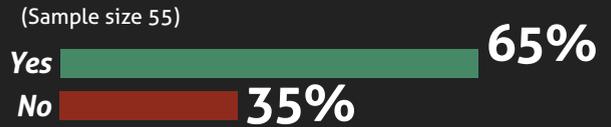
Year of call	\$110,001 to \$150,000	\$150,001 to \$200,000	\$200,000 to \$250,000	\$250,001 to \$300,000	More than \$300,000
2015 - 2016	5%	2%	2%	0%	0%
2012 - 2014	14%	4%	2%	2%	0%
2009 - 2011	21%	9%	0%	4%	2%
2008 and earlier	25%	16%	5%	0%	5%

IN THE COMING YEAR, WILL YOUR FIRM: (Sample size 143)

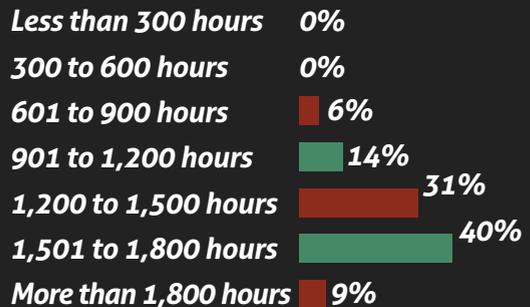
- Hire more lawyers? 48%
- Keep the same number of lawyers? 47%
- Reduce the number of lawyers? 6%



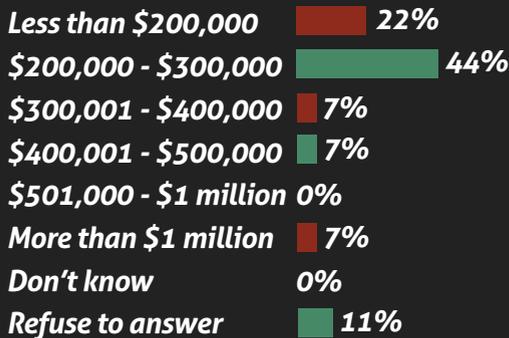
WILL SALARIES INCREASE IN 2017? (Sample size 55)



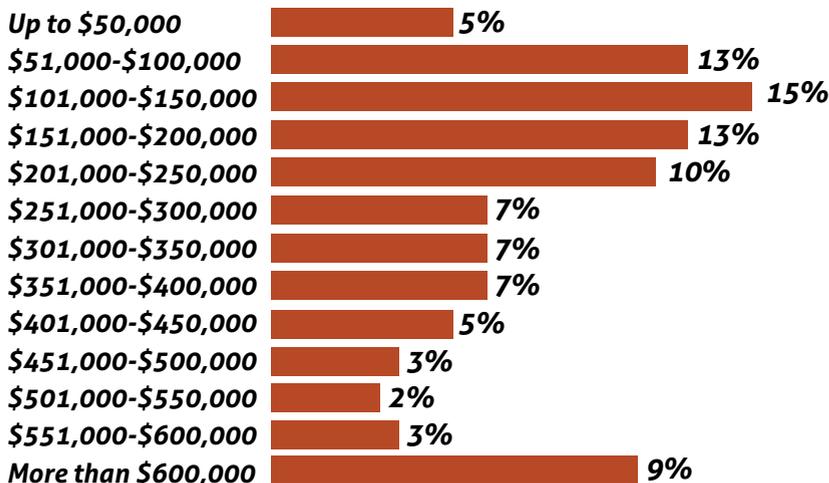
ASSOCIATE BILLABLE HOUR TARGETS (Sample size 35)



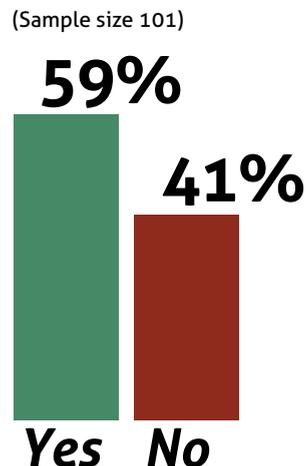
ASSOCIATE MONETARY BILLING TARGET (Sample size 24)



PARTNER COMPENSATION (NATIONAL) (Sample size 84)



DID PARTNER EARNINGS INCREASE IN THE LAST YEAR? (Sample size 101)

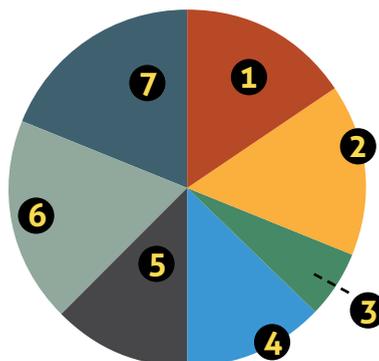


had 50-99, 3% had 100-249, another 3% had 250-499 and 2% had more than 500. Fifty-nine per cent of firms or organizations operate out of one office, with 26% having two to four, 7% having five to 10 and 8% operating out of more than 10. Geographically, 55% of respondents had a presence in Ontario. British Columbia (28%) and

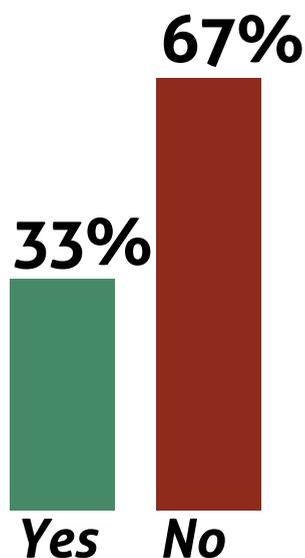
Alberta (27%) were also well represented. Quebec was the base for 16% of respondents, while 8% of respondents came from Saskatchewan and 8% from Manitoba. The rest were scattered across the rest of the provinces and territories, as well as the United States and internationally.

WHAT COMPENSATION METHOD DOES YOUR FIRM USE FOR EQUITY PARTNERS? (Sample size 32)

- 1 Equal partnership 16%
- 2 Modified Hale and Dorr 16%
- 3 Simple unit 6%
- 4 Merit 13%
- 5 50/50 subjective-objective 13%
- 6 Eat-what-you-kill 19%
- 7 Other 19%
- 8 Lock-step 0%



DOES YOUR FIRM HAVE A TWO-TIER PARTNERSHIP STRUCTURE? (Sample size 108)

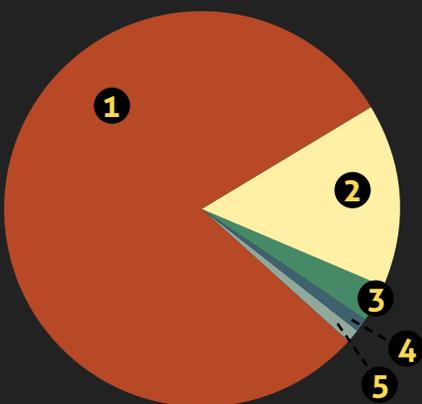


NON-EQUITY PARTNER COMPENSATION METHOD (Sample size 32)

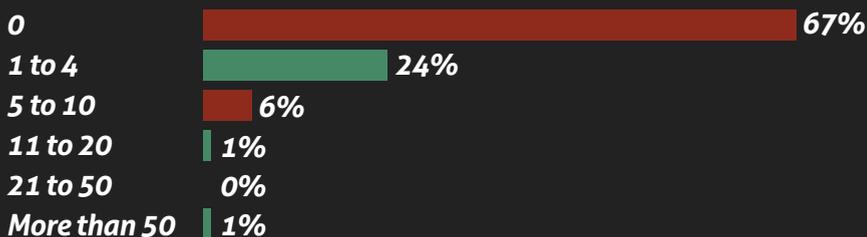


HOW MANY STAFF LAWYERS ARE THERE IN YOUR FIRM? (Sample size 73)

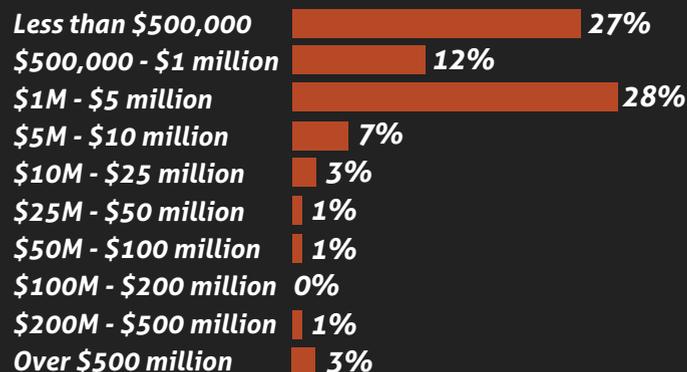
- 1 0 79%
- 2 1 to 4 15%
- 3 5 to 10 3%
- 4 11 to 20 1%
- 5 21 to 50 1%
- 6 More than 50 0%



HOW MANY OF COUNSEL LAWYERS ARE THERE IN YOUR FIRM? (Sample size 70)



LAW FIRM'S 2016 ANNUAL GROSS REVENUE (BEFORE TAXES AND PARTNER DISTRIBUTION) (Sample size 144)





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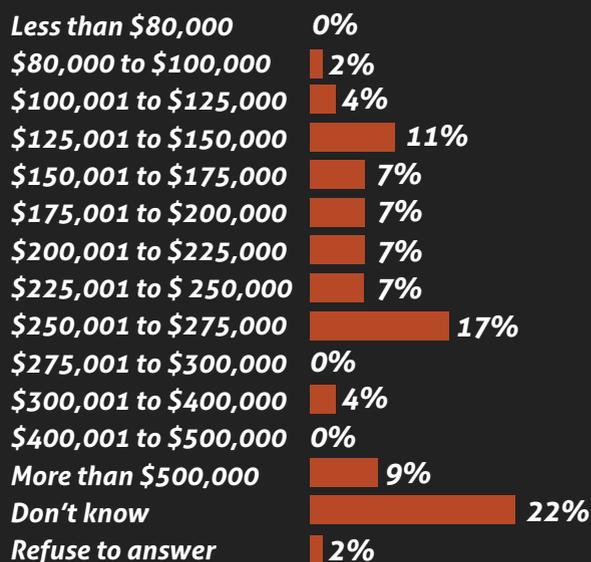
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IN-HOUSE COUNSEL COMPENSATION (Sample size 54) GC AT DIRECTOR LEVEL



IN-HOUSE COUNSEL COMPENSATION (Sample size 54) GC AT EXECUTIVE LEVEL



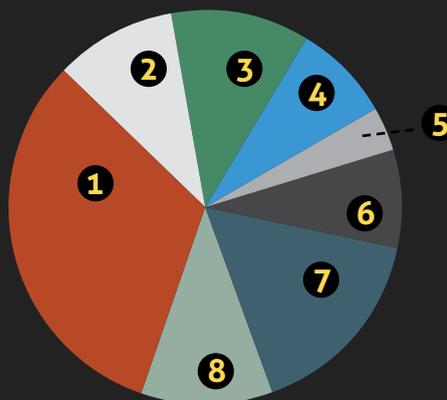
IN-HOUSE COUNSEL COMPENSATION (Sample size 46)

Year of call	Less than \$60,000	\$60,000 to \$80,000	\$80,001 to \$100,000	\$100,001 to \$120,000	\$120,001 to \$140,000	\$140,001 to \$160,000
2015 - 2016	28%	13%	17%	13%	15%	9%
2012 - 2014	24%	4%	13%	24%	11%	17%
2009 - 2011	22%	2%	7%	15%	17%	13%
2008 and earlier	4%	0%	4%	9%	13%	24%

Year of call	\$160,001 to \$180,000	\$180,001 to \$200,000	\$200,001 to \$250,000	\$250,001 to \$300,000	\$300,001 to \$350,000	Over \$350,000
2015 - 2016	2%	0%	0%	0%	0%	2%
2012 - 2014	4%	0%	0%	0%	0%	2%
2009 - 2011	17%	2%	2%	0%	0%	2%
2008 and earlier	13%	7%	20%	4%	0%	2%

IN-HOUSE LEGAL SPEND BUDGET (Sample size 56)

- 1 Less than \$500,000 36%
- 2 \$500,000 to \$1 million 11%
- 3 \$1M to \$2 million 13%
- 4 \$2M to \$5 million 9%
- 5 \$5M to \$10 million 4%
- 6 More than \$10 million 9%
- 7 Don't know 18%
- 8 Refuse to answer 2%



WILL SALARIES INCREASE IN 2017? (Sample size 45)

