



Marketlab

Report 2014

PRIVATE PRACTICE

AUSTRALIA
INTERNATIONAL

Mahlab gratefully acknowledges the support of the following industry associations in sharing access to the Mahlab Survey with their members:



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Figures contained within tables in this survey have been rounded to the nearest \$500 and are quoted in local currency.

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Mahlab Report 2014

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MAHLAB REPORT 2014

Welcome

Welcome to the Mahlab Report 2014, the definitive guide to the legal industry's employment and market trends, published annually by Mahlab since 1984.

The Mahlab Report 2014 compares remuneration and rewards, employment experiences and job satisfaction across Australia and internationally based on a survey of private practice lawyers and partners, in-house lawyers, general counsel and company secretaries as well as law firms and legal directorates.

Survey findings are supplemented by Mahlab's in-depth understanding of the market and information gathered from clients and candidates throughout the year.

The report is based on actual salary figures for FY15 (post 1 July 2014 reviews).



KATHERINE
SAMPSON



LISA
GAZIS

To accompany and enhance the Mahlab Report 2014, Mahlab will, for the first time, host a series of 'roundtables' with leaders in the profession. These will provide a forum for the exchange of ideas about the challenges, concerns and opportunities revealed in the report and help us keep our findings up-to-date as the market moves and trends emerge throughout the year. We will develop and publish additional reports following roundtable discussions.

Key Findings

This year's report reveals some recovery in the legal market since late 2013, reflecting a rise in business confidence and commercial activity after the Federal election in October and a more optimistic outlook for 2014/15.

Private Practice

This positivity manifested in the lifting of salary and bonus freezes that were imposed last financial year, although the slowdown in salary band increases in **law firms** continues. Nationally, the average increase in private practice salaries is 3.8%, an increase on last year's national average of 3.7%, maintaining the more positive outlook we've seen since 2012 but far from the peak increase of 2011.

Pressure to maintain profitability in the firms is evident in departures of partners and teams from less profitable practice areas or those that no longer fit the firm's global or national model. Mid firms are still the major beneficiaries of this mobility.

We report a decline in equity partners overall as many firms 'de-equitise' to improve per partner profitability and a rise in performance based partnerships (salaried or fixed draw plus a percentage of billings). The trend here is performance-based reward at all levels, from senior partner to junior solicitor.

For those below partner status, leaner teams overall and a focus on full deployment and redeployment of staff, often reviewed on a national or international basis if the size and nature of the firm allows for this, creates opportunities and threats. Secondment opportunities may arise outside the 'home' office for those who are mobile. However, longer hours, higher budgets and a more difficult path to partnership – with some firms introducing new and higher hurdles to overcome to achieve salaried (let alone equity) partner status – discourage some lawyers.

At Senior Associate level, business development and client retention is more important than ever, although partners still hold their key clients close.

As the Australian law firm market loosens the purse strings and repositions, international markets have also improved and now return as a threat to major firms, whose banking and finance and corporate lawyers in particular are in high demand offshore. This may have an inflationary effect on salaries here or, more likely, increase the incidence of bonuses for existing staff and sign-on bonuses for lateral recruits in these areas.

Corporate

In the **in-house** arena, modest salary increases are now the norm as companies continue to seek to increase profitability through trimming costs. This trend, which has gained momentum over the past few years, looks set to continue for at least the next 6–12 months amid ongoing soft market conditions.

Corporate salaries have increased by a conservative 3.3% on average for FY14, a modest improvement on last year's increase of 2.8%, but not quite as strong as the 4.4% increase of FY12.

Good news for company secretaries this year: FY14 is the first year that the percentage of company secretaries reporting that their organisations offer performance based bonuses (88%) has returned to pre-recession levels. Overall, however, fewer bonuses are being offered and paid to fewer in-house lawyers this year.

Not surprisingly, job satisfaction has fallen for in-house counsel, although most are positive about remaining in an in-house role.

Contract lawyers are providing companies with cost-effective solutions to short-term resourcing shortages, and will work for a market salary, rather than the expensive premium they attracted in the past.

The relationship between corporate client and law firm service provider is also changing, with an increasing trend for payment models based on pre-determined fees rather than hourly rates.

Thank You

Mahlab is grateful for the support of everyone who participated in the survey.

In particular, we wish to thank the following associations for sharing the questionnaire with their members: Victorian Women Lawyers, Law Institute Victoria, Women Lawyers of Western Australia, The Law Society of New South Wales, The Law Society of Tasmania, ACT Law Society and The Commercial Law Association of Australia.

Join the social media conversation about #MahlabReport2014 by following @MahlabLegal or by connecting with us on LinkedIn.

Stay tuned for upcoming reports based on Mahlab's industry roundtables and do not hesitate to contact Katherine Sampson, Lisa Gazis or one of our consultants if you would like more detailed career or salary advice.

We wish you all the best for a fruitful and satisfying new financial year.



Katherine Sampson



Lisa Gazis

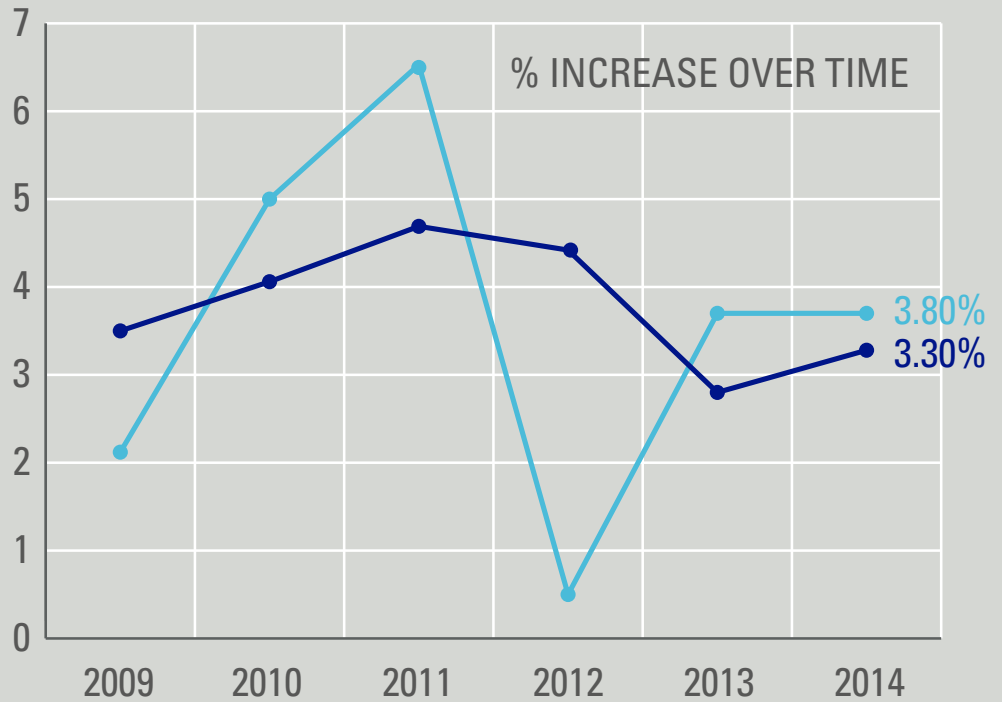
RESULTS AT A GLANCE

CORPORATE LAWYERS

PRIVATE PRACTICE

SALARY

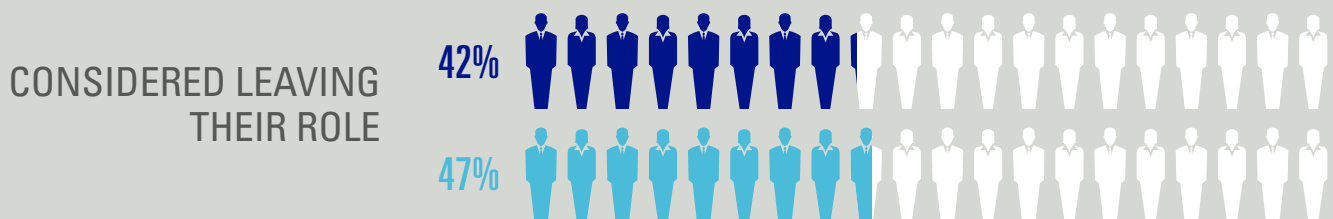
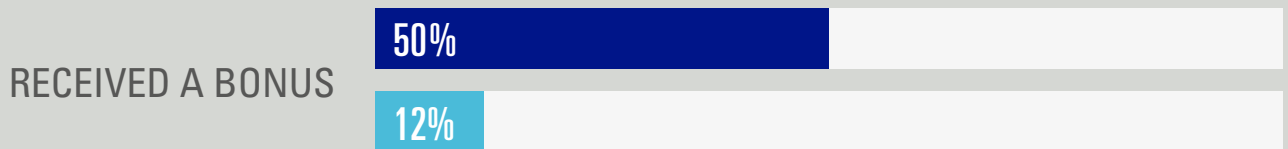
3.55%
LEGAL INDUSTRY
AVERAGE INCREASE



“ Mahlab Report 2014 reveals a rise in business confidence and commercial activity, and a more optimistic outlook for FY15.”

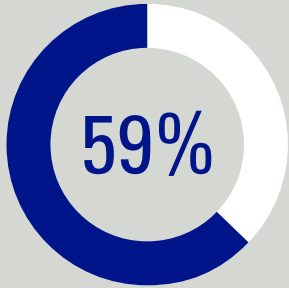
– Katherine Sampson and Lisa Gazis, Mahlab

PERCENTAGE OF RESPONDENTS

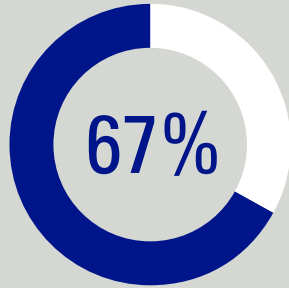


MAHLAB REPORT 2014

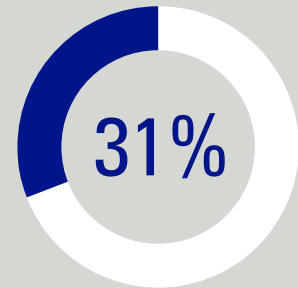
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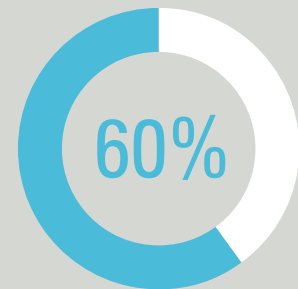
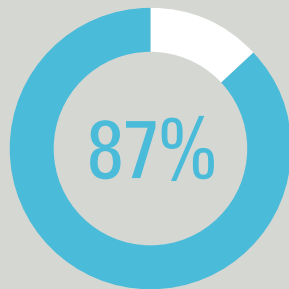
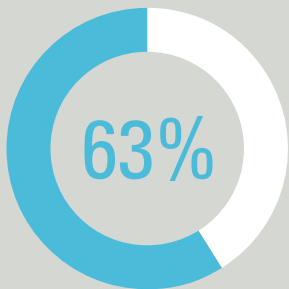
SATISFIED IN
CURRENT ROLE



FEELING SECURE IN
CURRENT ROLE



SATISFIED WITH
CAREER PROGRESSION
OPPORTUNITIES



MARKET TRENDS

banking & finance
property
employment
corporate
construction

PRIVATE PRACTICE GROWTH AREAS



CONTRACT CORPORATE LAWYERS
INCREASINGLY PROVIDE
RESOURCING SOLUTIONS

OVERSEAS MARKETS LIFT AND
CHALLENGE AUSTRALIAN FIRMS



PARTNERS

Market

While some firms have experienced solid revenue growth, the challenges for partners remain – particularly in the major and mid firms. Partners continue to face pressure to maintain profitability as competition created by technology, alternative low-cost service providers and a slow growth economy has meant a decline in demand for traditional legal services.

This pressure is evident in partner departures, lean teams and a delay of promotion to partnership. As a result, although more partners were appointed last year, the overall size of partnerships in the major law firms is on the downward trend.

Equity partnerships are declining and being replaced with salaried partnerships now contingent upon billings. The move to abandon the 'billable hour' seems inevitable in reaction to these mounting pressures, as the profession acquiesces to the demands of a difficult market.

Recruitment

Most partner appointments this year have been strategic lateral hires with obvious commercial value. Mid firms in particular are seeking to strengthen their brand by leveraging the reputation of successful partners through lateral hires.

Last year we saw lateral appointments and promotion to partner take place in the areas of financial services, corporate advisory, employment and litigation. While it is now more difficult to make partner, those that do succeed in securing the appointment at a major international firm will have far more expansive career options than their predecessors, most notably beyond Australia to Asia.

Senior Associates aspiring to make partner are now finding expectations and performance benchmarks much higher, with less certainty of success.

For global firms, experience in international offices and cross-border transactions will stand prospects apart from the crowd.

Firms are also increasingly cognisant of gender equality, with many promoting their policies during the recruitment process.

Retention

Some firms are restructuring their employment model to reduce the Senior Associate bottleneck by introducing new positions that recognise and reward high performing Senior Associates in an effort to retain them despite not being able to provide imminent partnership. More are using the professional performance model to manage career progression based on

competence, rather than years of experience.

Firms are embracing technological advancements that allow their partners more flexibility and work/life balance without leaving private practice. These developments are critical to retaining key staff. In addition, part time opportunities are increasing among the major and mid firms, which is a positive step – in particular for women in law.




The strategy of most firms is to retain top performing partners and move on underperformers. This strategy is coupled with a preference for securing 'premium' work at higher rates while avoiding areas in the legal market that are either price sensitive, commoditised or do not fit the firm's growth strategy. The 'alternative' firms are absorbing the commoditised work.

Remuneration

Overall, annual remuneration for partners in major and mid firms has increased. But realistic partners now appreciate that high income increasing annually is no longer the status quo: individual performance, especially revenue generation, will carry the most weight when equity distributions are made.

PARTNERS' SALARIES


SYDNEY

	MODE	
MAJOR FIRMS	\$1,380,000	
MID FIRMS	\$899,000	
SMALL FIRMS	\$468,000	



MELBOURNE

	MODE	
MAJOR FIRMS	\$1,335,000	
MID FIRMS	\$835,000	
SMALL FIRMS	\$437,000	

BRISBANE

	MODE	
MAJOR FIRMS	1,095,000	
MID FIRMS	\$745,000	
SMALL FIRMS	\$375,000	

PERTH

	MODE	
MAJOR FIRMS	\$1,330,000	
MID FIRMS	\$798,000	
SMALL FIRMS	\$395,000	

ADELAIDE

	MODE	
MAJOR FIRMS	\$815,000	
MID FIRMS	\$541,000	
SMALL FIRMS	\$293,000	

The defining criteria of what is a major, mid and small commercial CBD firm includes: size, locations, reputation, quality of work, expectations of employer as well as pay, desirability of employment and training and development.

Figures include superannuation but do not include bonuses or other benefits.

PRIVATE PRACTICE LAWYERS

Market

The market resurged in FY14, and this looks set to continue, notably in the areas of property, banking and finance, corporate, employment and construction. Transactional activity has tentatively increased across the board.

Remuneration

The salary and bonus freezes of FY14 have lifted, however, the slowdown on salary band increases continues. 44% of firms surveyed increased their salary bands, compared to 50% in 2013, 75% in 2012 and 90% in 2011.

Generally only high performers have received sizeable increases, much to the disappointment of lawyers who had weathered the financial storm of recent years and were hoping for compensatory increases. 62% of private practice lawyers surveyed were not satisfied with the outcome of their salary review.

The national average salary increase is 3.8%, however those taking a significant step up, such as from Associate to Senior Associate or those who performed exceptionally well and over an extended period, have received up to 12%.

The average percentage bonus is similar to previous years at around 5–10% and up to 20% for high performers.

The trend towards purely performance based remuneration that we reported in recent years has gained traction, with some mid and major firms changing their remuneration model for FY15.

Such a model increases the onus on employers to manage staff performance and professional development. It also presents opportunities to enhance gender equality, as promotion and salary are determined by performance rather than years of service.

Other firms continued with the more traditional year-on-year remuneration strategy. At major firms there is a trend for restrained increases for junior lawyers, with budget being spent on more senior and profitable fee earners.

Typically lawyers working in areas that are difficult to recruit in and which generate large fees (such as corporate advisory) are remunerated better than lawyers in other areas (such as insurance litigation). Remuneration discrepancies are compounded by lateral hires often coming in at a higher salary for their PAE level.

To maintain salary parity, some firms have opted to pay new recruits sign-on bonuses – something we have not seen since before the GFC.

Recruitment

Firms are maximising the output of existing lawyers. International firms are filling transient local demand through secondments.

Client relationships are becoming even more important. Lawyers at all levels are expected to take a role in business development. Some major firms are planning to introduce psychometric testing for graduates to identify those most suited to working in a major firm.

Retention

Despite the improvement in the market, some lawyers are expressing concern regarding cultural change, increased workload and uncertainty about their career paths.











In an effort to retain staff, firms are investing in training and development as well as offering overseas transfers and secondments.

International markets have improved and present a threat to major firms, whose banking and finance and corporate lawyers are in high demand. This may push up salaries and encourage sign-on bonuses.

Retrenchments are still occurring, although they are not as widespread as in previous years.











SYDNEY

MAJOR FIRMS

YEAR LEVEL	RANGE	MODE	
1	\$78,000 – \$95,000	\$81,000	
2	\$82,000 – \$120,000	\$90,000	
3	\$82,000 – \$136,000	\$103,500	
4	\$93,000 – \$140,000	\$119,000	
5+ (not SA)	\$100,000 – \$155,000	\$120,000	
SA1	\$135,000 – \$180,000	\$146,000	
SA2	\$147,000 – \$215,000	\$165,000	
SA3	\$159,000 – \$220,000	\$181,000	
SA4	\$165,000 – \$240,000	\$200,000	
SA5/SC	\$185,000 – \$320,000	\$250,000	

MELBOURNE

MAJOR FIRMS

YEAR LEVEL	RANGE	MODE	
1	\$68,000 – \$90,000	\$75,000	
2	\$69,000 – \$97,000	\$83,000	
3	\$80,500 – \$115,000	\$88,000	
4	\$90,000 – \$134,000	\$105,000	
5	\$99,500 – \$145,000	\$117,000	
SA1	\$115,000 – \$160,000	\$135,000	
SA2	\$122,000 – \$185,000	\$150,000	
SA3	\$130,000 – \$190,000	\$162,000	
SA4	\$155,000 – \$220,000	\$180,000	
SA5/SpC	\$160,000 – \$300,000	\$200,000	

The defining criteria of what is a major, mid and small commercial CBD firm include: size, locations, reputation, quality of work, expectations of employer as well as pay, desirability of employment, and training and development.

Figures include superannuation but do not include bonuses or other benefits.

Given that firms take into account a range of factors when determining remuneration, an individual's position within a band will vary based on their background, experience and performance. Lawyers paid at the higher end of the bands are usually top performers and/or employees who bring with them an additional skill that is over and above the general requirements of the role. For tailored advice please contact our consultants.

PRIVATE PRACTICE LAWYERS' SALARIES

MID FIRMS

YEAR LEVEL	RANGE	MODE
1	\$65,000 – \$96,000	\$74,000
2	\$75,000 – \$110,000	\$85,000
3	\$80,000 – \$130,000	\$93,000
4	\$95,000 – \$161,000	\$105,000
5	\$98,000 – \$150,000	\$116,000
SA1	\$125,000 – \$171,000	\$134,000
SA2	\$130,000 – \$177,000	\$142,000
SA3	\$135,000 – \$185,000	\$158,000
SA4	\$146,000 – \$220,000	\$166,000
SA5/SC	\$155,000 – \$290,000	\$200,000

SMALL COMMERCIAL CBD FIRMS

YEAR LEVEL	RANGE	MODE
1	\$60,000 – \$85,000	\$65,000
2	\$65,000 – \$99,000	\$69,000
3	\$66,000 – \$120,000	\$75,000
4	\$70,000 – \$150,000	\$84,000
5	\$87,000 – \$160,000	\$100,000
SA1	\$95,000 – \$161,000	\$115,000
SA2	\$115,000 – \$187,000	\$128,000
SA3	\$127,000 – \$200,000	\$140,000
SA4	\$135,000 – \$225,000	\$148,000
SA5/SC	\$155,000 – \$258,000	\$165,000

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MELBOURNE

PRIVATE PRACTICE LAWYERS' SALARIES

MID FIRMS

YEAR LEVEL	RANGE	MODE
1	\$60,000 – \$85,000	\$73,000
2	\$65,000 – \$93,000	\$75,000
3	\$74,500 – \$115,000	\$85,000
4	\$78,000 – \$122,500	\$95,000
5	\$85,000 – \$135,000	\$114,000
SA1	\$102,000 – \$148,000	\$118,000
SA2	\$110,000 – \$149,500	\$125,000
SA3	\$124,000 – \$170,000	\$145,000
SA4	\$138,000 – \$200,000	\$155,000
SA5/SpC	\$150,000 – \$270,000	\$180,000

SMALL COMMERCIAL CBD FIRMS

YEAR LEVEL	RANGE	MODE
1	\$45,000 – \$75,000	\$50,000
2	\$50,000 – \$85,000	\$60,000
3	\$55,000 – \$98,000	\$69,500
4	\$60,000 – \$112,000	\$78,000
5	\$72,500 – \$122,000	\$95,000
SA1	\$78,500 – \$145,000	\$105,500
SA2	\$105,000 – \$148,000	\$115,000
SA3	\$110,000 – \$150,000	\$125,000
SA4	\$120,000 – \$180,000	\$135,500
SA5/SC	\$140,000 – \$205,000	\$165,000

The defining criteria of what is a major, mid and small commercial CBD firm include: size, locations, reputation, quality of work, expectations of employer as well as pay, desirability of employment, and training and development.








Figures include superannuation but do not include bonuses or other benefits.

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PRIVATE PRACTICE LAWYERS' SALARIES








BRISBANE

MAJOR FIRMS

YEAR LEVEL	RANGE	MODE	
Year 1	\$65,000 – \$80,000	\$72,000	
Year 2	\$75,000 – \$91,000	\$80,000	
Year 3	\$81,000 – 100,000	\$87,000	
Year 4	\$90,000 – \$115,000	\$95,000	
Year 5 (Not SA)	\$100,000 – \$145,000	\$115,500	
SA 1	\$120,000 – \$160,000	\$135,000	
SA 2	\$135,000 – \$180,000	\$155,000	



PERTH

MAJOR FIRMS

YEAR LEVEL	RANGE	MODE	
1	\$75,000 – \$90,000	\$78,000	
2	\$77,000 – \$97,000	\$88,000	
3	\$85,000 – \$115,000	\$102,000	
4	\$100,000 – \$135,000	\$115,000	
5	\$110,000 – \$150,000	\$125,000	
SA1	\$125,000 – \$168,000	\$148,000	
SA2	\$135,000 – \$175,000	\$160,000	

ADELAIDE

MAJOR FIRMS

YEAR LEVEL	RANGE	MODE	
1	\$55,000 – \$68,000	\$59,000	
2	\$60,000 – \$78,000	\$65,000	
3	\$66,000 – \$84,000	\$74,000	
4	\$75,000 – \$110,000	\$85,000	
5	\$80,000 – \$125,000	\$90,000	
SA1	\$94,000 – \$155,000	\$110,000	
SA2	\$96,000 – \$175,000	\$127,500	

The defining criteria of what is a major, mid and small commercial CBD firm include: size, locations, reputation, quality of work, expectations of employer as well as pay, desirability of employment, and training and development.

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INTERNATIONAL

New York

Salaries in New York are consistent across the major firms and have remained static since 2007. The starting salary for graduates in New York is US\$160,000. There is nothing to suggest New York salaries will increase in 2015.

Bonuses paid in December 2013 were consistent with 2012 bonuses – a cautious move in a market that shows modest growth. Bonuses were still tied to hours billed. All the major firms paid the same bonuses: 16% for first year lawyers up to 22% for senior lawyers.

UK

Despite announcing in April 2014 that there would be salary freezes, firms went on to offer increases in their May 2014 reviews.

Bonuses of 6–12% were paid to lawyers depending on seniority and performance, with trainees receiving around 2–3%, in an attempt to compete with high-paying US firms based in London.

With market activity strengthening, UK firms are largely still opting for the lock-step model of remuneration. Some firms are beginning to replace fixed bonuses with performance based bonuses.

Middle East

Salary increases in the Middle East have been conservative this year at approximately 1.7%. Local firm salaries are below international firms, and as elsewhere, major New York firms pay better than their UK competitors.

The Middle East has bounced back from the financial crisis. There is renewed activity in the construction and property areas as well as both in-bound and out-bound M&A and joint ventures in the telecommunications, tourism and retail sectors. Islamic financing has also increased as a result of the increase in transactional activity.

Recruitment remains tentative with the most demand for foreign-qualified lawyers being at the mid level. Arabic language ability and regional experience and connections are often sought for more senior roles.

Asia

Recruitment activity in Asia has remained steady. The lawyers in greatest demand in FY14 were those in funds, banking and finance, capital markets, regulatory litigation and employment law.

Asian language skills are increasingly important, particularly in Hong Kong and China where fluency in both Mandarin (and sometimes Cantonese as well) is strongly preferred, if not required. Some areas in Hong Kong such as employment law are conducted in English.

Consistent with other jurisdictions, base salaries at UK and US firms were on par with the firms' headquartered offices.

Packages for foreign qualified lawyers across Asia varied and depended on various factors. These factors include cost of living, competition for candidates with a particular skill set and whether a firm considers a location to be a 'hardship' destination. The majority of firms offered discretionary bonuses. Packages normally include a range of benefits for foreign nationals working in Asia. Such benefits include relocation allowances, health care, various insurances, gym membership, home leave, and occasionally sign-on bonuses and housing allowances.



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