

# Publications

Legal Search & Recruitment

## Salary Trends 2008

The last financial year has continued to be strong for Australian lawyers wanting international experience, with UK and US firms actively recruiting. However, it is not just the UK and the US which is destination of choice; the last year has also seen a strong move by Australian lawyers from junior to even partner level to Dubai and other Middle Eastern destinations. Property, construction, finance and commercial/corporate lawyers have all been in demand as Dubai continues to grow.

However, we are also beginning to see Australian lawyers who have been away for a couple of years or more starting to come back, more so than the previous financial year. Whether this is due to the sub prime collapse or just the natural cycle it is too early to tell, especially as experienced lawyers with top tier experience continue to be in demand.

Law firms are starting to pay to retain their lawyers at the junior level especially on the back of strong results. Increases have been from 10 to 20% or more and firms have also paid performance based bonuses. But there does seem to be a drop in commercial activity, which should impact on lawyers' expectations for the next financial year. Whether it does or not will also depend on the continuing appetite for Australian lawyers from overseas firms, as this demand now seems to be the cause of a lot of the attrition in Australian firms.

## Private Practice

The last financial year has continued the trend of lawyers seeking either overseas or in-house experience, but we are also seeing some new trends to assist firms address their recruitment needs. Lawyers who have moved into in-house roles, have also moved back to private practice, where previously we have not seen as much of this. Lawyers are returning to the firms where they practiced or been attracted to new firms by the variety of work on offer as well as the financial rewards. Another promising trend is the increasing willingness of law firms to take on part time lawyers, and being more flexible in regard to hours of work.

However, the last year has also seen firms "fast track" their junior lawyers to take on more responsibility to fill the gaps at higher levels, and reward them financially for doing so. This has resulted in very solid increases for lawyers at the 2<sup>nd</sup> to 6<sup>th</sup> year level, with those performing well also being rewarded with good bonuses.

In the past, firms have relied on an ad hoc approach to bonuses, rewarding top performers with discretionary financial rewards. However, a more structured approach based on clear performance guidelines have been introduced by most of the top tier firms, as well as a range of large national and mid tier firms. The methods used to calculate such bonuses fluctuate among the firms: some take a team performance approach; others an individual performance approach; some bonuses are based solely on billable target performance and others

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include both financial targets and other performance indicators. Bonus payment schemes are both a response to the retention issue, as well as shifting some component of reward onto performance. It is also a way for law firms to compete for lawyers against corporates, which have traditionally had bonus schemes for senior employees.

However, firms are continuing to stand their ground in regard to paying new lawyers according to level of experience and not necessarily more, just to retain or lure new lawyers. In certain circumstances they will pay lawyers sign on bonuses to secure them as a way to compensate them for making the lateral move and forgoing any potential bonus at their current firm.

Of course, some good boutique law firms are also following the trend and paying at the top of the market to ensure that they attract only the best lawyers from the top tier firms. This is clearly a sign of the times that top tier lawyers don't necessarily need to work in top tier firms for the dollars.

## **Private Practice vs In-house**

In the last couple of years, salaries for in-house lawyers have generally pegged with that of private practice salaries, except for a few exceptions where corporations have paid marginally more to lure the lawyers over into the team on the basis that the future salary increments for in-house lawyers are generally not as high as that of private practice.

We are now finding with the recent salary increases, some in-house budgets are stretched to the limit, and those making the move in-house are not necessarily doing so for the financial imperative. Those at Senior Associate level, are prepared to be flexible, taking into account other factors on offer in-house, such as bonuses, to make up any shortfall, as well as taking the view that it is a different environment that they are shifting to.

The discrepancies between inhouse and private practice roles in terms of salaries can also be attributed to the current economic climate, and is also affecting those industries which have been the highest paying up to now.

The upside for corporates is that it is likely that even a small downturn in the market will mean there will be a shift from "candidate short" to more competition for in-house roles, meaning it is unlikely in-house salaries will exceed private practice salaries at most levels, at least in the short term.

2007/2008 has been a good year for lawyers; the question mark is whether this will continue into the next financial year....

See our Salary Survey 2008/09 for at least what is current now... but definitely watch this space!

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