

compINSIGHT® LEGAL 2001
National Legal Practices & Compensation Survey

2001 HIGHLIGHTS

Compensation Trends

Law Firms:

- Senior Partners continued to experience steady earnings growth, exceeding projections by 8%.
- Earnings for Junior and Senior partners showed tremendous growth in 2000; actual earnings exceeded projections by 28%.
- The national average salary for a new lawyer, 1st year admission to the Bar is \$64,000.
- Projected earnings for this year are up 7%, slightly above last year's 6% and outpacing the labour market overall.
- Associate billing rates increased by 7% on average.

Corporations:

- Corporate Counsel base salaries continued to increase, with average increases to base salary at 7%, exceeding the 5% increases last year and outpacing the labour market in general.
- Corporations continue to use variable pay (incentive pay, performance bonuses) as a method of awarding performance. This fiscal year's reported increase to variable cash payouts was down from the last fiscal year reported, but still outpacing the labour market overall.

The increase to variable cash payouts may be partly attributed to the significant increases to base pay.

	Last Fiscal Year	Current Fiscal Year
Report % Increase to variable cash payouts from previous year	26%	16%

Traditionally, Corporations and Law Firms have used cash incentives and spot awards as the main tool for rewarding performance. In recent years, stock options and other forms of long-term incentives (LTI) have increased in popularity, among organizations seeking additional tools for rewarding performance, and for executing retention strategies. As cash incentives are more often than not, the first choice for employees, and LTIs may not always increase retention, we may be seeing a shift back to the more traditional "bonus" award programs.

- Junior and Intermediate Counsel on average earned between 7 and 11 % of their income as variable pay, down from the previous year, between 10 and 15%.
- Senior Counsel and General Counsel on average earned between 14 and 21% of their income in variable pay; and the Senior VPs on average earned 26% of income in variable pay.
- Incentive targets for this coming year are slightly more aggressive. The average overall target is set at 17%, an increase from the target of 15% in the previous year.

Within the past few years, competition for Canadian legal talent has increased dramatically domestically, but particularly internationally. As globalization has become a reality, the movement of talent, like the movement of goods has increased.

A large portion of Canadian law students are now working in the US throughout the summer, and then returning to Canada for school in the fall.

With international and domestic legal recruiters targeting existing law practitioners, US law firms targeting students, and a series of other factors (economic, social, career opportunity etc.) the upward pressures will continue on all legal professional salaries in Canada.

Staffing Levels

- Staffing predictions for next year indicate a 5% growth in the number of Associates at law firms.
- Most large Canadian law firms have a ratio of Partners to Associates of 1:1.

UK and USA law firms have significantly higher ratios. This discrepancy can partly be explained, by the attempts of Canadian law firms to keep their human resource assets, through the promotion of associates to partners quicker than US and UK law firms. The demand for

associates is obviously larger abroad, and Canadian law schools are now more often suppliers, than in the past.

Work / Life Issues & Benefit Practices

- Associates had an annual average of 1,363 billable hours compared to upwards of 2000 for their US counterparts, as many studies have shown.
- Firms have done little this year to supplement their standard employee benefit package.
- Corporate Counsel continue to enjoy more comprehensive benefits, including pensions and training.

Benefit Practice	Corporation	Law Firm
Flexible Benefits	Almost 50%	Less than 5%
Additional Maternity Leave pay in excess of E.I. entitlement	63 % now provide compared with 51% last year	50% now provide compared with 29% last year
Child Care Services	Nearly 100% do not provide Child Care Services	Nearly 100% do not provide Child Care Services
Merit Increases	90%	44%

Survey after survey in recent years has shown women reporting difficulty in balancing the demands of work and personal life. The most recent surveys have also shown a healthy work / life balance is now a major concern for men.

Law Firms may find it more difficult to attract women and, some men to a lesser degree and the turnover rate higher, than their corporate counterparts that have done more in recent years to address the issue of work / life balance.

More details about compensation and benefit practices are contained in the complete report, available from PERSONNEL SYSTEMS. For those organizations interested in purchasing a complete report, the cost is \$650 plus GST, subject to signed agreement to purchase and participate in the 2002 survey. For order information, call toll free 1-800-263-0491 or visit www.compINSIGHT.com.