

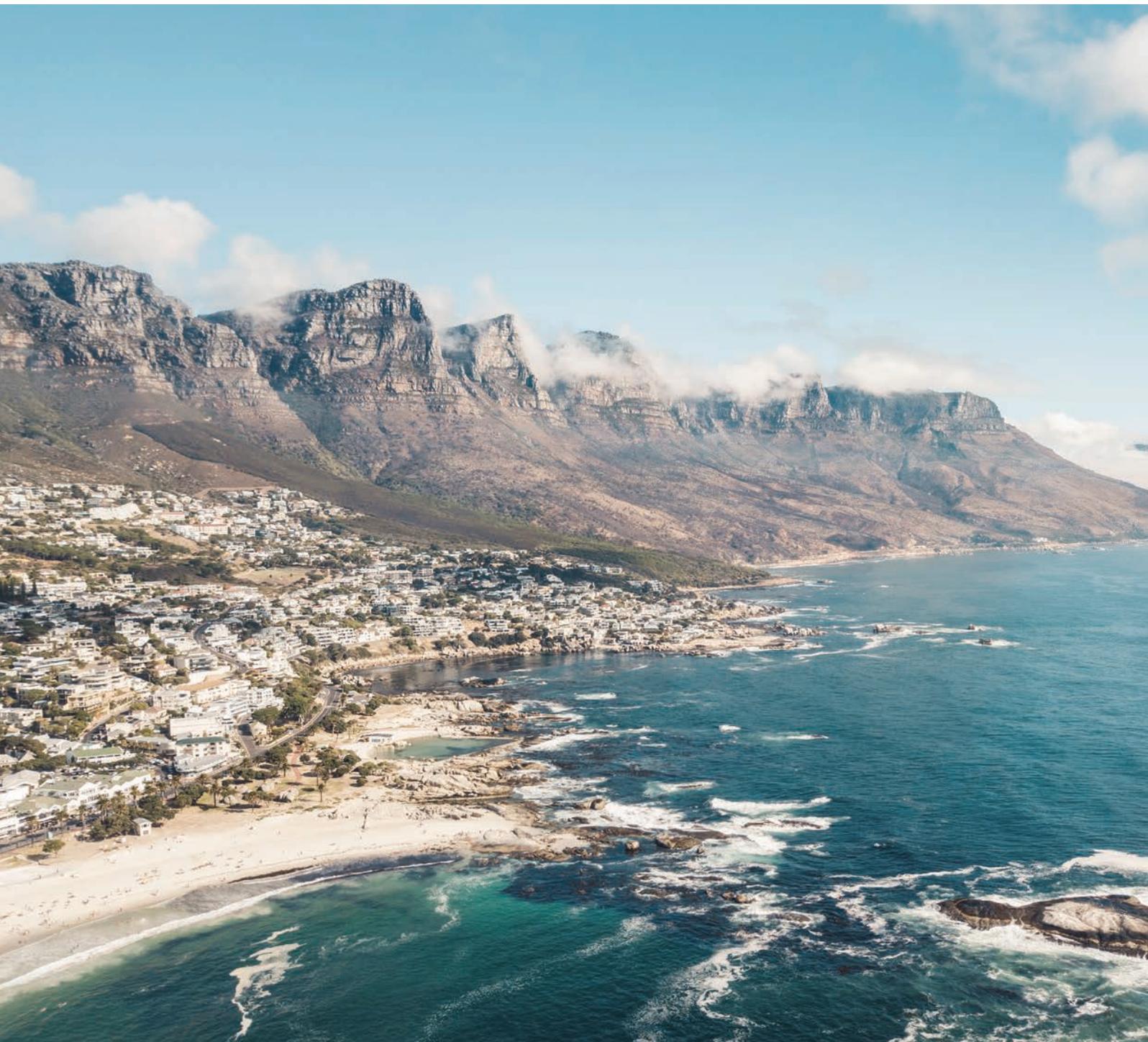
GRMINTELLIGENCE

A DIVISION OF GRM

LEGAL SALARY SURVEY

SOUTH AFRICA

2019



About GRM

GRM is a multi-award winning recruitment, research, and consultancy firm with offices in Hong Kong, Cape Town, and London.

Our reach and market intelligence stretches across the world. We have experience of successfully completing projects on 5 continents. GRM's decision to have a true presence on three continents speaks to our commitment to bridging the gap between Africa, Europe, and Asia.

Launched in 2009, GRM specializes in executive search, legal recruitment, people analytics, research, and management consulting.

Our differentiator is our combination of data, market research, knowledge of the market and headhunting capabilities. We are staffed by legally qualified professionals, with an extensive network and unparalleled insight into the legal market.

At GRM we are constantly striving to bring our clients innovative solutions to their human, business operational and strategic needs.

About GRM Intelligence (A division of GRM)

GRM Intelligence is fast becoming the voice of human capital across Africa and is an essential partner to new and existing entrants to African markets. We are the experts in analyzing people, businesses, and competitors to deliver performance gains, competitive advantage, and agility.

In the information age, the real driver of economies, corporates, and commerce is research, knowledge, and innovation. The knowledge, information, and trends that GRM Intelligence gather is not common knowledge. Our research is collected through continuous daily fact-finding and uncovering unusual correlations and deviations.

Within our data lies insight into best practice or the best route to deliver the optimal outcomes for your firm. GRM Intelligence can find out what's going on in any sector and through predict what you need to do to elevate your firm to the next level.

GRM Intelligence has five core services; Comprehensive salary benchmarking, Market mapping, Market entry, M&A Advisory, Human capital related audits and consultancy

GRM's Industry recognition

- Nominee, Researcher of the Year Award (ROTY), 2019
- Top 3 nominee: Cross-Border Recruitment Strategy - Asia Recruitment Awards, 2019
- Recruitment Agency Excellence Award - Finalist, 2018, Le Fonti Awards
- Finalist, Most Innovative Use of AI - CFI Review Awards - 2017
- RI Awards, Legal Recruitment Agency of the Year Hong Kong - 2015, 2016
- Ranked Top 5 Best Agency in APAC - Global Recruiter Awards 2016
- Legal Recruitment Innovation & Excellence Award 2016 - WINNER
- Finalist in Recruitment International Australia Rising Star Award 2016
- Global Recruiter Commended Winner - Best Consultant - 2015
- Silver medalist in the Asia HR Awards - Agency of the Year 2015
- WINNER Global Recruiter 2015 Best New Agency in Asia
- Global Recruiter 2014 Commended Winner - Best Specialist Agency
- Global Recruiter Commended Winner 2013 - Best Small Agency

The macro landscape snapshot

The 2018 year was a tough one for businesses in South Africa, notwithstanding the legal sector. South Africa's professional labour market has been, and continues to be, an unpredictable environment, with the economic downturn in 2018 leading to a slip into a recession in Q2.

As a general trend, corporate finance, IPOs and M&A activity in South Africa last year was down, although FDI was significantly higher in 2018 than in 2017. Consequently, we see that the deal flow was lower in 2018 than in 2017, but this is expected to rebound in 2019.

Overall we have seen a dramatic increase in demand for Compliance experts, both in private practice and in-house across the globe, including South Africa. In our South African market specifically, we see a relatively stable but high demand for Corporate, Funds and Finance lawyers.

Notable hiring trends

We saw a slump in the hiring of legal professionals across the board in 2018 with many firms and teams rethinking employment budgets and tightening them or allocating them to other needs as businesses struggled in the downturn.

The bulk of demand for legal talent was seen at the partner level with a strong focus on individuals with a transferrable book of business who could bring in additional work and be profitable almost immediately. This is not a uniquely South African legal trend however as we see across sectors and countries whereby firms encourage growth by hiring top fee earners with a high ROI during tough economic times of slow growth.

The increase in lateral partner hiring was only incrementally higher in 2018 than in 2017, and we expect a significantly higher increase in the new 2019 year. Appetite for this type of hire has already increased in Q1.

Second, to this, we saw strong demand for 4-6 PQE associates with top academic and working experience.

We saw the market flooded with junior talent looking for opportunities with many Candidate Attorneys not being kept on both at smaller boutique firms as well as at the incumbent law firms.

Remuneration snapshot

This salary survey provides a snapshot of the legal market situation at a set time (financial year-end 28 Feb) using over 1500 data points.

This report provides insight into the remuneration trends seen in the South African 2018 year for legal professionals. We have seen slight increases in salary from last year overall, however, while some firms and/or departments offered attractive salary increases there have also been instances of salary freezing, offering only inflationary increases, and cases of equity partners having to recapitalise the firm, as was seen in 2017.

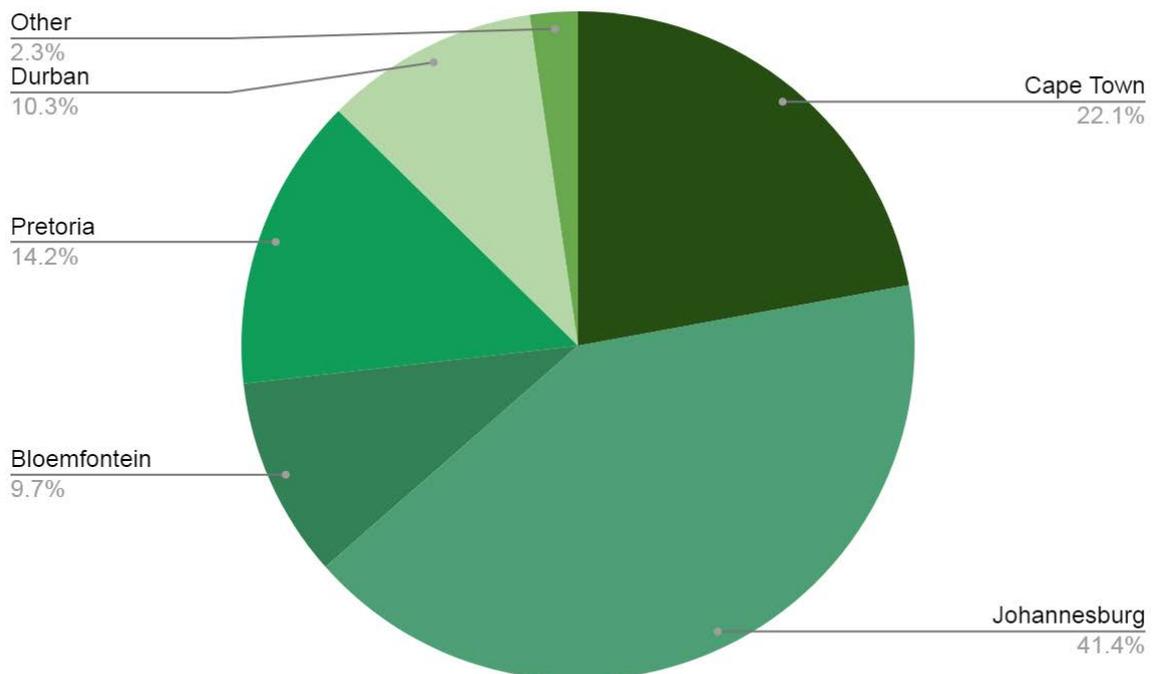
Bonuses and performance compensation was also incrementally higher than last year, however, we saw many smaller law firms offering no bonuses with this being offset by larger more established firms.

We have also seen a number of firms restructuring their performance compensation structures recently with the aim to encourage ever-higher target achievement to assist in the tough economic time.

Description of the sample

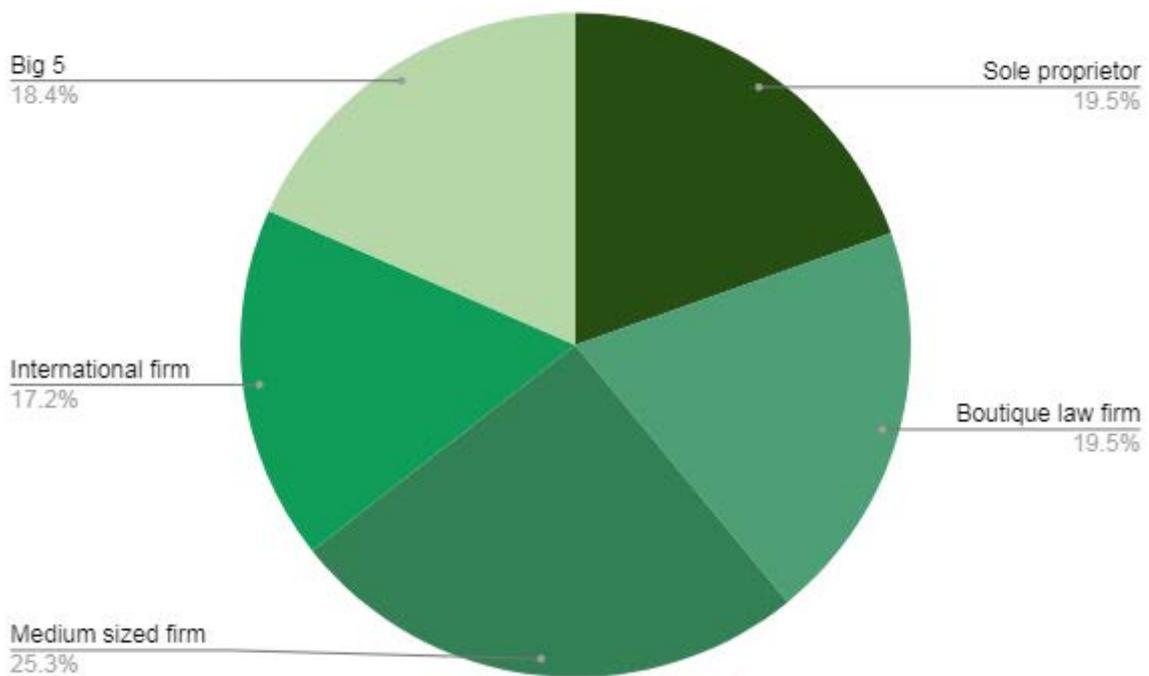
Where city respondents are based

In the chart below we see the bulk of respondents (57.3%) coming from **Johannesburg**. This can be expected given that a) majority of the legal placements made by GRM or mandates received from our clients were in Johannesburg, b) following from point a, majority of the candidates we represent are consequently in Johannesburg. It is then seen below that, 22.1% are from **Cape Town**, 16.2% of respondents are from **Pretoria**, 14.3% from **Durban**, 9.7% from **Bloemfontein**, and 2.5% from other cities or towns.



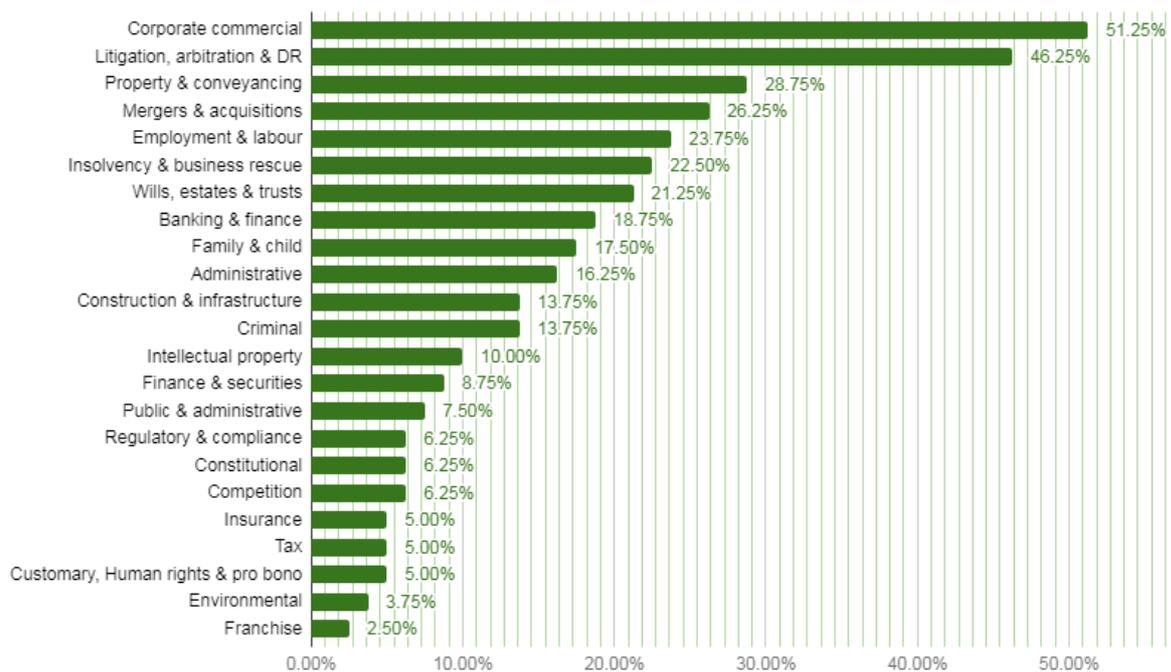
Law firm type employed at

There is a nice distribution across firm type in our data this year. We see the most participants coming from medium-sized firms (35.3%), followed by boutique firms and sole proprietors (both 19.5% of the sample), 18.4% from the Big 5 and 17.2% from international law firms.



Practice area specialisations

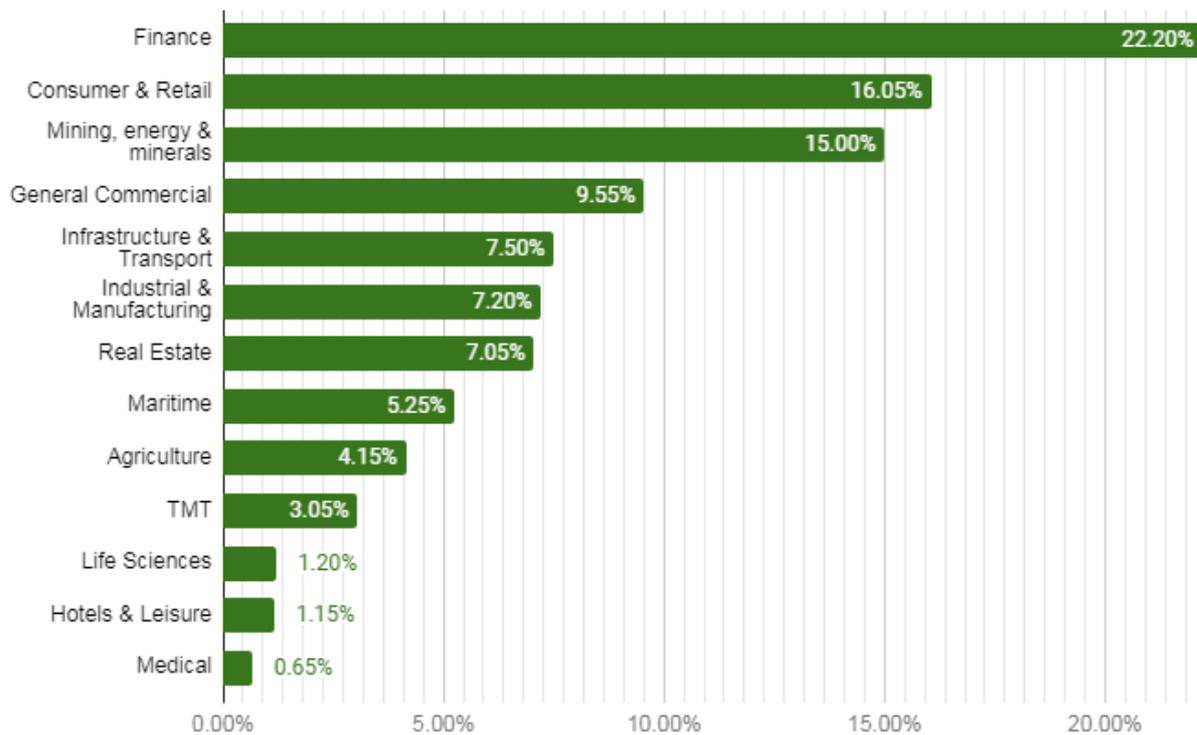
The chart below indicates the practice specialisations our respondents come from. This is a new addition to our salary survey this year, NB respondents were not restricted to a single specialisation in that while some professionals are specialists, others are generalists. We see the vast majority of respondents coming from a corporate commercial background (51.25%), followed closely by litigation, arbitration and dispute resolution work (46.25%).



An interesting trend noted by our Consultants was the rise in legal professionals looking for alternative opportunities in that they were doing increasing deals in practice areas that did not interest them (for example bankruptcy, civil litigations, and foreclosures).

Sector specialisations

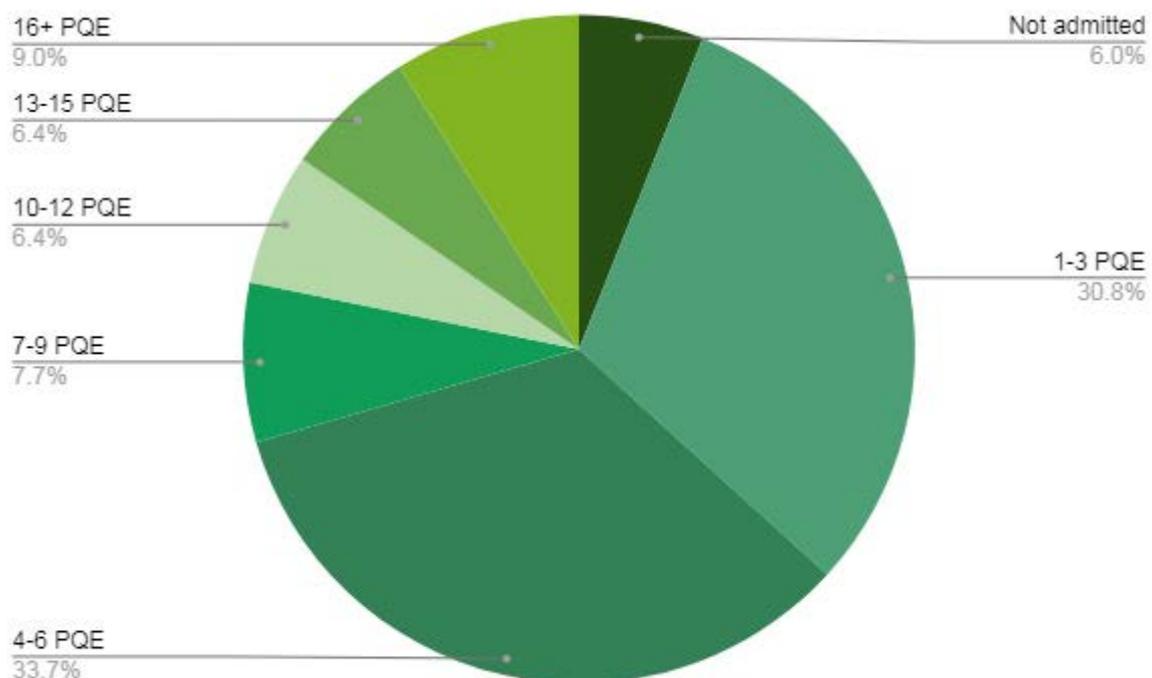
Looking now to the sector specialisations, we see the majority of respondents (22.2%) working within the finance sector, followed by consumer and retail (16.05%) and mining, energy and minerals at 15%. We saw a large increase in lawyers working in the mining, energy and minerals sectors and private equity space.



Post qualification experience

We see that the distribution of the sample across the level of experience is well distributed and aligned with the legal sector overall.

We see the bulk of respondents in the 4-6 PQE range. This is largely driven by a) the demand for 4-6 PQE lawyers, hence necessitating a large candidate pool in this experience range. We then see 30.8% of the sample coming from the 1-3 PQE range, this being the largest experience level we see in the legal sector. The remainder of the participants are fairly evenly distributed between 7-9 PQE (7.7%), 10-12 PQE (6.4%), 13-15 PQE (6.4%), 16+ PQE (9%) and candidate attorneys or not admitted legal professionals (this excludes paralegals and legal secretaries) (6%).



Remuneration across the level of seniority

For the purpose of this report, all remuneration and target data is given in ZAR. We have separated the levels of seniority into Partners, (Managing Partner, Equity Partner and Salary Partner), Counsel, Senior Associates (<4 PQE), Junior Associates (1-4 PQE) and Candidate Attorneys.

The compensation data in this report was gathered during the 2018 year, during our normal course of business by our Transaction teams and our dedicated Research and Analytics teams, based in South Africa.

This includes data gathered from our annual private practice salary survey, GRM candidates (job seekers and job applicants) and from our clients (job specifications and actual successful placements GRM have made).

Base Salary

The table below shows the percentile metrics for the base salaries across levels of seniority.

As expected we have managing Partners boasting the highest monthly base salary, followed closely by Equity Partners and Salary Partners. What is interesting to note is that there is a huge variety in the partner-level remuneration structures seen at law firms as well as within law firms across departments.

We see some firms offering very low and sometimes zero-salary to partners, whereby compensation is driven entirely by performance. We also see some firms offering a higher base salary to their staff where targets are hit and lower salaries if individuals fall short of targets.

Looking at the Counsel level we see salaries lower than those offered to salary partners but higher than Senior Associates.

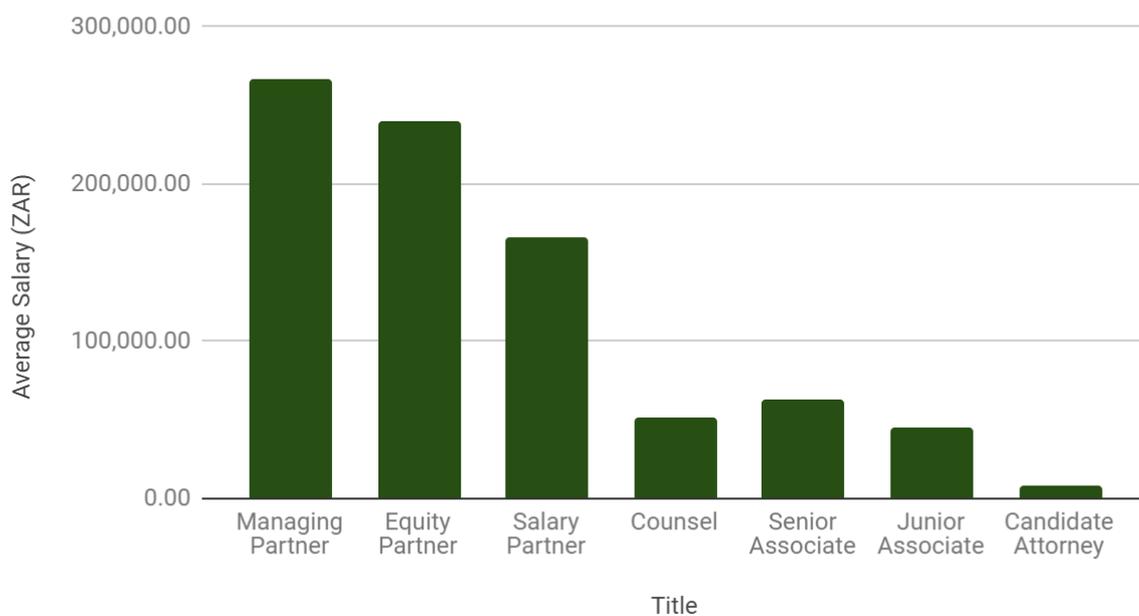
We see a variation in base salary offered at the Big 5, international, boutique, and sole proprietorships at the associate level. As well as huge variation across departments in some firms. We also note that some firms have very clear base salary structures for legal professionals, others have merit-based salary structures, and others have no clear salary determination policies whereby clear salary determination structure cannot be identified across the level of experience, merit, or specialisations. The lowest base salaries as can be expected, are seen at the Candidate Attorney level with salaries drastically below their colleagues who are admitted.

Overall national average salaries

Title	Average (ZAR)
Managing Partner	266,947.94
Equity Partner	240,030.84
Salary Partner	166,437.38
Counsel	51,273.21
Senior Associate	62,512.34
Junior Associate	44,815.15
Candidate Attorney	7,588.60

The data in the table above has been represented in the chart below which illustrates the trends of higher base salaries at higher levels of seniority as well as showing the greater variance in the data at higher levels of seniority.

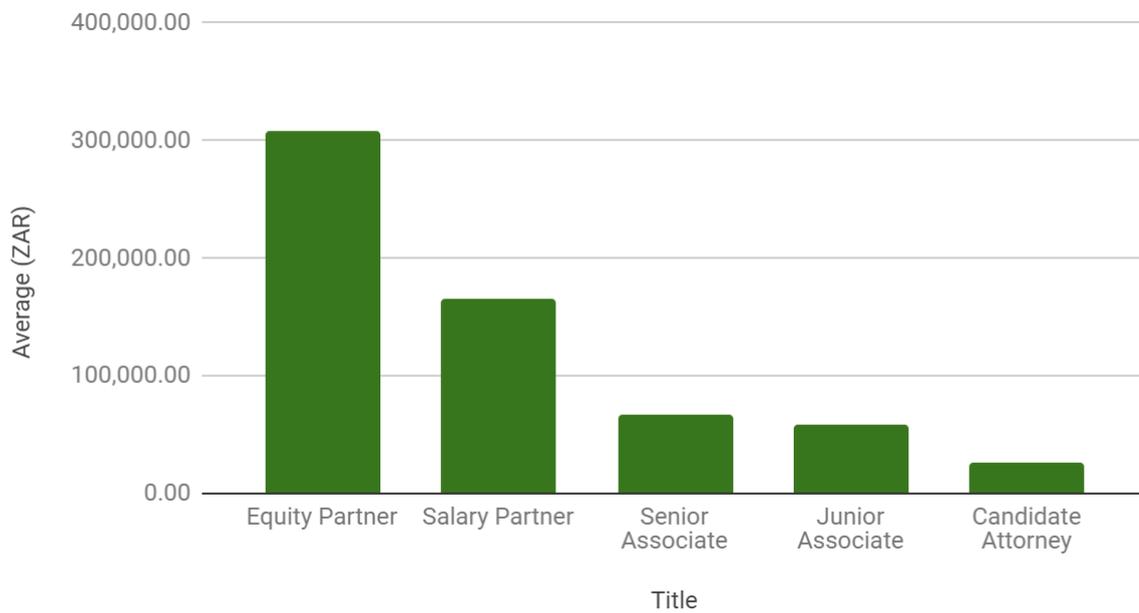
Average Salary



BIG 5

Title	Average Salary (ZAR)
Equity Partner	308,333.33
Salary Partner	165,515.15
Senior Associate	67,370.28
Junior Associate	58,541.67
Candidate Attorney	26,692.31

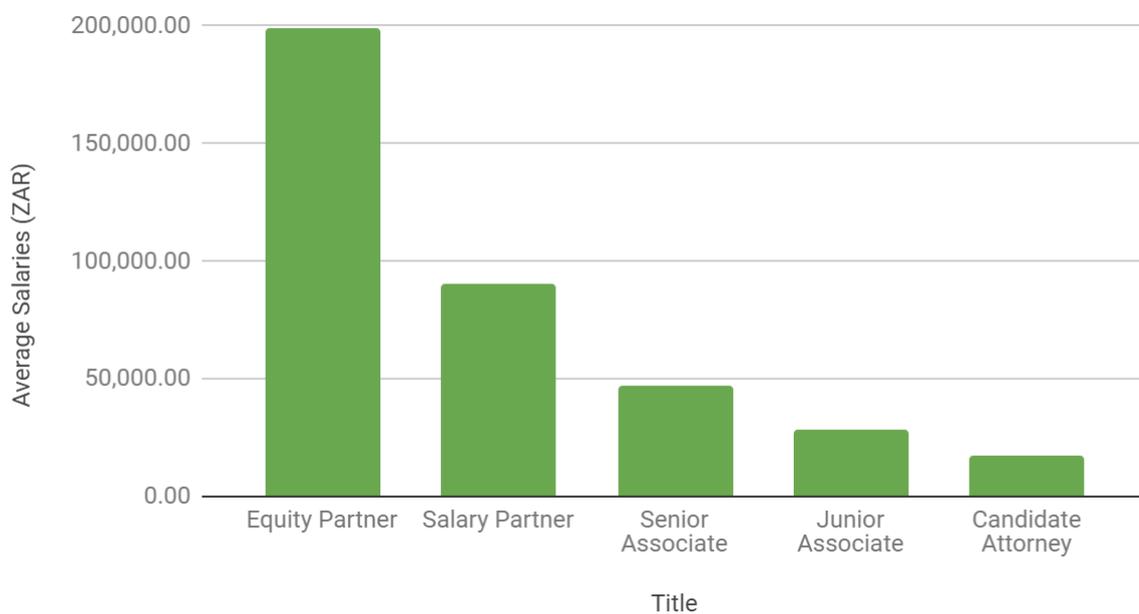
Average Salaries - Big 5



Medium & Boutique

Title	Average Salaries (ZAR)
Equity Partner	198,749.62
Salary Partner	90,185.18
Senior Associate	47,507.42
Junior Associate	28,421.48
Candidate Attorney	17,446.59

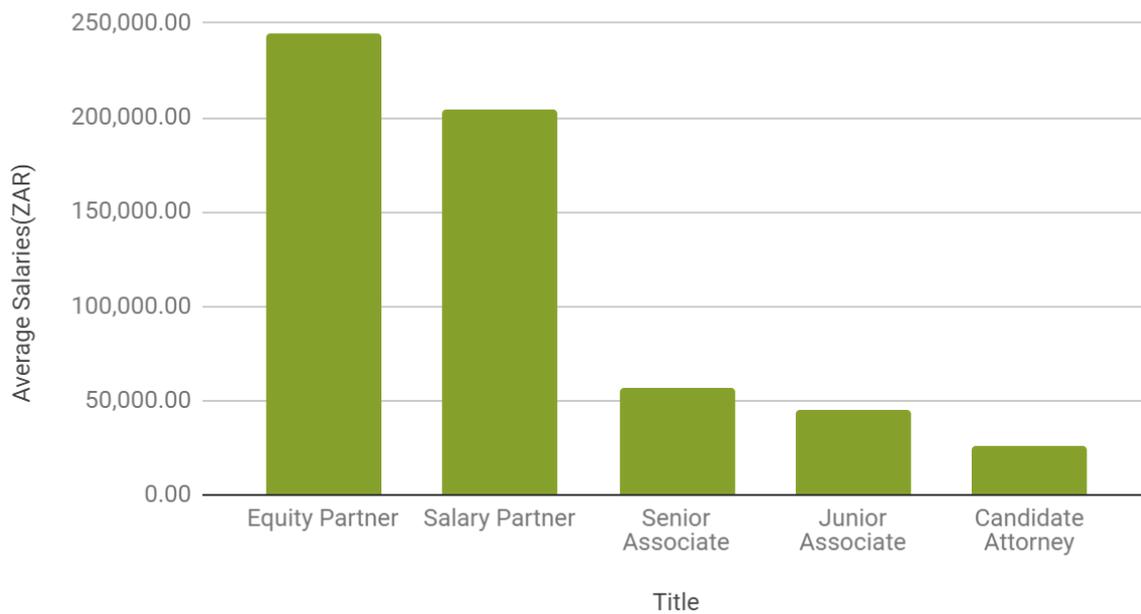
Average Salaries - Medium / Boutique



International

Title	Average Salaries (ZAR)
Equity Partner	244,750.00
Salary Partner	204,288.65
Senior Associate	57,229.58
Junior Associate	44,740.80
Candidate Attorney	25,875.00

Average Salaries - International



Alternative financial compensation

We see fewer and fewer reported numbers of legal professionals receiving alternative financial compensation (overtime, urgent matter compensation, bonuses etc.). There appears to be an ever growing trend of focus rather on performance-based bonuses, with 2 out of 3 firms making use of a performance compensation scheme.

Typically there appears to be scaled performance compensation schemes whereby the greater the target achievement or exceedment, maintained over a period of time, the higher the performance compensation received.

At the partner level, we see an even stronger focus on performance incentives and compensation with many equity and managing partners receiving the bulk of their financial compensation in the form of profit sharing, individual performance bonuses, and team performance bonuses. On the other end of the seniority scale, we see almost no Candidate Attorneys receiving any other financial compensation other than their salaries.

An elaboration of some of our findings is included below.

Bonus

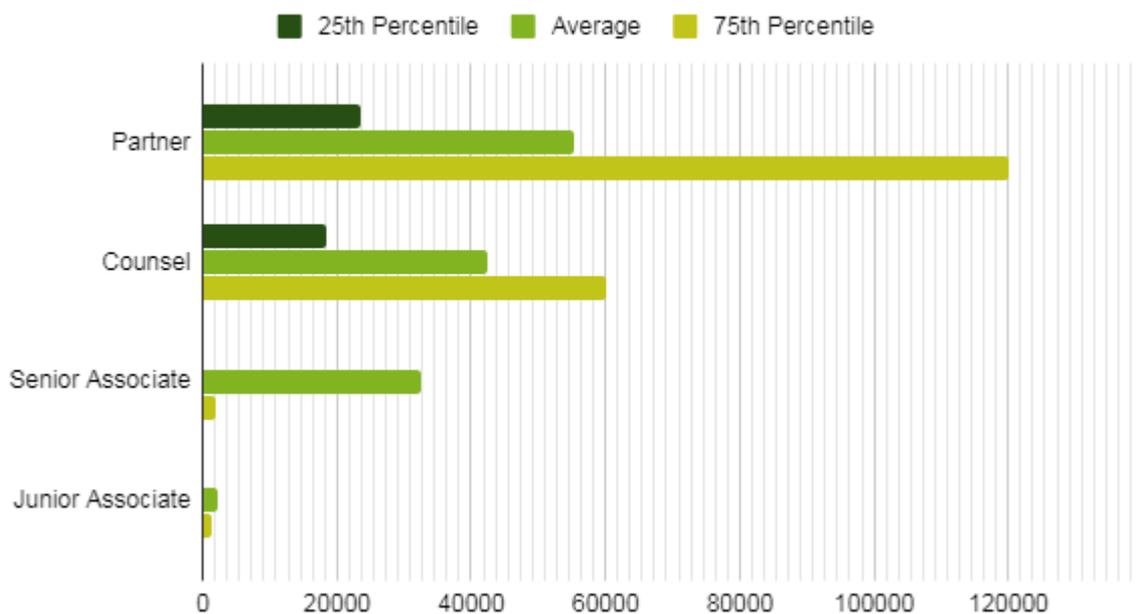
Looking at bonus findings from 2018 in the table hereunder we see that there is great variation in bonuses received across percentiles as well as across levels of seniority.

The bulk of firms offer a bonus that is equal to performance compensation while smaller firms often offer a discretionary bonus or a 13th cheque based on firm and individual bonus. We see some of the more profitable firms offering both a year-end bonus and monthly performance compensation.

	25th Percentile (ZAR)	Average (ZAR)	75th Percentile (ZAR)
Partner	23,500.00	55,357.14	120,000.00
Counsel	18,500	42,500.00	60,000.00
Senior Associate	0	32,495.11	2,000.00
Junior Associate	0	2,300.00	1,250.00

As illustrated in the graph below and table, the average bonus for associates is far below the 75th percentile, seeing that the vast majority of respondents did not receive any bonus while a small percentage received very high bonuses.

Breaking the Partner remuneration up; we see Managing and Equity Partners typically receiving no annual bonus but rather receiving profit sharing and equity compensation.



Performance-based compensation

Performance compensation for 2018 as shown in the table below, is significantly higher than bonus levels, reiterating the earlier stated trend that firms are typically moving away from a bonus scheme towards a scaled performance-based compensation scheme.

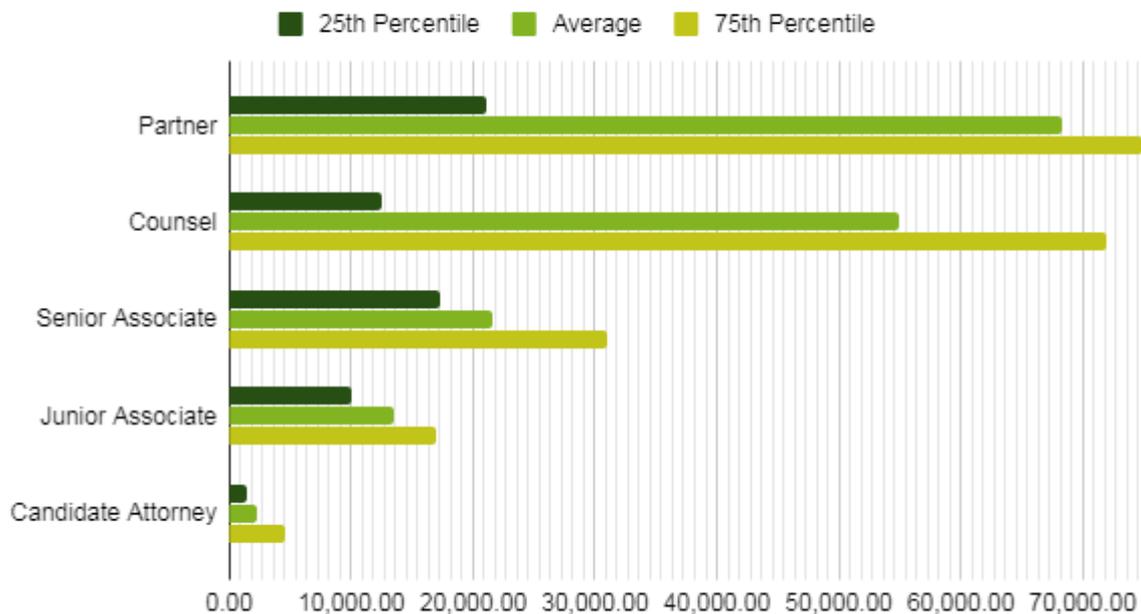
As can be expected we see the highest levels of performance compensation at the higher levels of seniority and lower levels of performance compensation at the lower levels of seniority. This can typically be explained by lower targets, lower charge-out rates and hence lower fee generation at lower levels of seniority and experience within a given law firm.

What is interesting to note is the variation in performance-based compensation schemes at firms.

	25th Percentile (ZAR)	Average (ZAR)	75th Percentile (ZAR)
Partner	21,150.00	68,333.33	75,000.00
Counsel	12,500.00	55,000.00	72,000.00
Senior Associate	17,236.00	21,512.00	31,000.50
Junior Associate	10,000.00	13,466.67	17,000.00
Candidate Attorney	1,453.00	2,333.33	4,500.00

The chart below, visually representing the performance compensation data above, clearly illustrates the significant variance in performance compensation payouts across levels of seniority with the high average compensation having no upper limit to the amount of money an individual can earn in the form of performance compensation.

What is interesting is the variation in targets and hence performance compensation across practice areas, however, this is beyond the scope of this report.



Profit sharing and equity compensation

Equity Partner

As can be expected the table below indicates that the vast majority of equity partners (75%) receive equity payouts. The remaining 25% are currently at firms with poor financial performance or smaller firms where revenues need to be reinvested in order to encourage growth. In some cases, we have seen partners having to pay money into the firm during the tough 2018 year.

Of the equity partners included in this study, we see just over half receiving profit sharing.

There is a stark difference in Equity Partner equity and profit sharing payouts in medium-sized and boutique firms and relatively more consistency across the big 5 with greater intra-firm variance than inter-firm variance.

Equity compensation	75.21%
Profit sharing	51.43%

Managing Partner

Managing Partners are typically earning the highest levels of compensation of all fee earners.

The structure and value of packages not only varies greatly between firms of various sizes and profitability but also quarter on quarter given the variance in profit sharing and equity payouts.

We see some Managing Partners with remuneration composed entirely of alternative compensation while others have both a base salary as well as alternative compensation schemes.

The table below indicates that 85.29% of Managing Partners receive equity compensation payouts and 45.86 receive profit sharing. A small percentage receive neither equity nor profit sharing compensation. Predominantly these individuals are sole proprietors.

Equity compensation	85.29%
Profit sharing	45.86%
None	5.00%

Salary Partner

At the salary partner level, we see a quarter of respondents (25%) receiving neither profit sharing or equity compensation (these individuals, however, tend to have very attractive performance-based compensation).

Equity compensation	12.51%
Profit sharing	62.52%
None	25.00%

Concluding remarks & trends for the future

1. We predict a double-digit % rise in lateral partner moves in SA in 2019, due to increased interest from overseas firms entering the market and local offices looking to add immediate/short term growth.
2. The preference to hire professionals with a transferrable book of business will continue into 2019 as the pressure to generate revenue and improve collections rises.
3. GRM finds overall that salaries and bonuses have tended to follow a consistent pattern over the past five years, with steady increases to reflect inflationary pressures.
4. GRM has noted an increasing trend of law firms doing away with annual bonuses and implementing purely performance-based alternative compensation.
5. An uptick in business confidence and improved GDP growth should improve deal flow & deal collections in 2019.

KEY CONTACTS

For deeper insight into the market in SA, please contact the team.

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GRM Intelligence

We would like to recognise the contributions of the following key researchers & Analysts on this report:

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- Darius Zeederberg, Head of Legal
- Kim Dingwall, Knowledge Consultant
- Nishaat Gangen, Knowledge Consultant
- Junior Matana, Data Administrator