



LEGAL SALARY SURVEY

2019

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LEGAL MARKET OVERVIEW

2018 saw the legal market experience one of its strongest periods ever, due to the growth in: demand, revenue and profits. Large contributors to this growth included; The Royal Commission into the Banking and Finance Sector, major infrastructure projects, large numbers of class action defense cases, regulator changes, strong foreign investment and corporate deal flow.

According to the annual “State of the Market” report issued by Thomson Reuters and The Melbourne Law School, the Australian legal market achieved an impressive 7.8% growth (up from 1% growth in 2017) outperforming other major legal markets across the globe in 2018. The most substantial demand was experienced in Sydney and Melbourne, however there were significant gains also made in Brisbane and Perth. The big 8 firms (by lawyer count approx. 660 lawyers) benefited from the growth in demand by 11.3%, firms in the “large firm” category (firms averaging 228 lawyers nationally) saw demand increase by 4.2%.

All 7 major practice areas demonstrated positive growth in 2018. The largest growth was experienced in Dispute Resolution, 19.1% (growth year on year), Corporate (General) 12% (YOY), M&A and Construction 11% (YOY), Real Estate 10% (YOY) and Banking and Finance 9% (YOY) with Workplace Relations growth of 6% (YOY).

The growth in work, resulted in average worked rate growth and firms were forced to significantly increase capacity to respond to this growth of work; we saw an average headcount increase by 5%. Despite the staffing increase, fee earners utilisation increased by 2.6%, which equated to an increase of 13 more hours worked per solicitor in Quarter 4 in 2018, compared to hours worked in Quarter 4 in 2017.

The growth in staff understandably accounted for the largest expense increase in 2018. Other overhead costs that grew included costs in technology, marketing and business development expenses.

2018 was characterised by the consolidation and expansion of large commercial law firms. There were 19 mergers involving 123 Partners, that number included well established firms like Dibbs Barker, Henry Davis York, Curwoods and TressCox merging with larger firms. The structural changes and mergers were brought on by continued growth of in-house legal teams, higher fixed costs, expansion of NewLaw initiatives, increased competition and growth of LegalTech. The consolidation has seen an increase in mergers since 2012, peaking last year. Firms that accounted for these factors in the past 3-5 years remained ahead of the pack, while others were left to make strategic changes quickly, some more successfully than others.

Aside from the mergers, both HWL Ebsworth and Mills Oakley continued to expand considerably in 2018. Both firms acquiring Partners and teams with portable practices. HWLE has grown from 154 Partners in 2013 to 245 in July 2018, Mills Oakley from 44 Partners in July 2013 to 101 in July last year. Hall & Wilcox increased by 42 Partners since 2013 and Thomson Geer grew in 5 years from 63 to 97. Firms also at the state and regional level saw significant numbers of mergers. Law firm consolidation primarily occurred within full service corporate and commercial firms, followed by firms with strong property and real estate, private clients, and banking and finance practices.

Lateral partner movement remained strong in 2018. It saw 273 Partners switch firms outside those due to firm mergers, an increase of 17% from 2017. Sydney saw the most lateral Partner movement with 139 changing firms, Melbourne saw 55 and Brisbane 44. These movements indicated where firms are concentrating their growth efforts and in 2018 saw Commercial Property and Real Estate, and Banking and Finance, experienced partners making up the largest number of moves.

Thomson Reuters also noted that 2018 saw a large number of leadership changes and Senior C-Suite positions, with a large number of appointments being made from outside the legal industry, being filled instead with candidates with a background from the Big Four Accounting firms. This shift allows firms to leverage the leadership expertise from other professional services industries and benefit from the insight of lessons learned in different industries.

Legal Technology continues to influence the industry as a whole. Since the introduction of LEAP (a legal practice management software founded in 1992) the Legal Technology side of the industry has continued to grow with 38 new firms founded between 2015 and 2018. The support for this side of the industry comes from General Counsels who are dealing with decreasing external legal spend budgets and an increasing workload. While Private Practices are looking to education institutions, like the Centre for Legal Innovation, to help law firm leaders navigate the fluid market that is Legal Technology to stay ahead of the curve. In 2018, more firms than ever were leveraging LegalTech solutions to service clients and many more are expected to do so, as they respond to market demands in 2019. These changes and the changes in the practice of law driven by technology, are driving change at Australian law schools. The introduction of technology and innovation focused courses saw an increase in collaborations and initiatives between universities and the larger law firms nationwide.

2018 saw many firms achieving record profits, while others left the market or merged. The Legal market is globalizing and scaling up, but well-run smaller local firms are also thriving. While there are still a record number of Legal Graduates in 2018, many find it challenging to secure entry level roles, leading the industry with a significant shortage of talent at the 4 to 7 year PQE level. Many of those who did secure graduate roles, chose to relocate overseas, move to in-house roles or leave the industry altogether after 2-3 years of practice. This remains a large concern for many firms as they work to services their clients' needs. They need now, more than ever, to retain their fee earners to make that achievable.

While salary levels continue to be flat across the industry, many areas are rapidly growing and those firms that have a clear strategy around growth, technology and retention for 2019 will continue to see success.

EMERGING TRENDS 2019

The growth experienced in 2018 is expected to continue throughout 2019 and into 2020, with the exception of the Royal Commission into banking and financial services, the other factors driving growth in 2018 are expected to continue to provide positive influence for the next two to three years.

The Banking Royal Commission gave 2017-2018 a unique boost but the demand from the top firms is expected to remain strong in 2019. Not just in litigation but in corporate, cross border transactions, projects and real estate. Many of these large firms have invested in strengthening their legal technology and innovation capabilities and have prepared themselves for different disruption scenarios. Their main strategy for continued success in 2019 is retaining top talent and filling vacancies quickly and confidently with strong talent, in teams when demand occurs, so they can maintain a sustainable operating model.

Reuters and the University of Melbourne believe we will continue to see a larger gap between mid-tier firms in 2019. They predict firms operating as a collection of individual practices will face the largest challenges. The threat of losing a key rainmaker, or identified future rainmaker, to a competing mid-tier firm, will have greater effect on those firms with higher operating costs, where a sudden revenue drop leaves them more vulnerable and exposes under-performing practices in their business.

Due to the aging population and the increase in residential property values, the high net worth client practice area also presents as a significant growth opportunity for firms who have an established reputation or invest in growth in this area in 2019.

Specialist firm's success will continue to be influenced by their area of focus, i.e. the property market. The importance of having both a short and long term strategy, making clear strategic choices and executing the plans vigilantly, will remain the key to these firm's success and ability to remain competitive against larger mid-tier practices in 2019 and beyond.

RECRUITMENT TRENDS 2019

There remains a shortage of experienced legal candidates across the industry, in particular the 3 to 6 year level. While there has continued to be large number of graduates from Australia's 41 law schools, there remain factors causing decrease in candidates for Private Practice roles at the 3+ PQE level.

The Banking Royal Commission saw firms and the financial institutions involved, competing for experienced staff at the junior level. The return to Private Practice on the Commission's completion hasn't occurred as yet and the commencement of the Royal Commission into Aged Care in October, is expected to exacerbate the shortage until at least April 2020 when the final report is expected for the Aged Care Enquiry.

Recruiters and firms alike also hoped Brexit would see Australian Private Practice lawyers working in the UK return to the Australian market. Unfortunately, Australian Lawyers working there, and elsewhere overseas, continue to enjoy high quality work and have excellent earning power, so they remain abroad.

Most firms still do not hire the number of Graduates they did prior to the Global Financial Crisis, and technology and structural changes have meant firms have become more efficient, meaning there isn't the need for the larger graduate intake that there was prior. The issue with reduced graduate intakes arise at the 2-3Yr PQE, when candidates assess their long term career paths and whether they aspire to work to the traditional legal career path to become a Private Practice Partner.

While many remain passionate about the career opportunity and desire to be Partner, some choose to no longer practice and others believe that they will have greater opportunity for career progression, greater bonuses, perks, opportunities to work overseas or greater work life balance in Australia, if they move away from a traditional practice model and seek employment in-house or in Government Legal roles.

With demand across all of the 7 major practice areas expected to continue this year in Australia, and the Global demand for transactional lawyers returning after a temporary hold due to Brexit, it will be imperative for all firms to assess both their attraction and retention strategies for 2019/2020 to see them remain competitive in the market, as staffing levels will continue to have a major influence over the commercial success of many firms in 2019.

INTERNATIONAL OPPORTUNITIES

Many Australian Lawyers remain keen to experience working overseas, with the UK and Asia remaining the most popular choices. There is a return of interest in opportunities in the UK after a slight pause due to Brexit and there is continued interest in Asia, offering the opportunity to work on larger cross border matters and the added incentive of lower tax rates for younger lawyers.

The UK and Middle East will now consider candidates as junior as the 2yr PQE level in transactional areas, as shortages continue to drive up demand in their own candidate markets. Language skills remain an advantage in Hong Kong and China but are no longer a prerequisite to practice and the ability to earn higher salaries and be given more responsibility remains appealing to many who choose to look at the region for opportunities.

Firms in Australia offering genuine secondment opportunities overseas, and greater access to working on cross border matters, will more likely not only retain staff, but attract others with similar ambitions to have that opportunity.

DIVERSITY

Gender diversity continues to be a focus for recruitment plans in 2019, with women now making up more than half of the profession, the mean age continues to be steady at 38.8 years. As opposed to that of male solicitors whose mean practicing age sits at 46.6 years. WGEA (Workplace Gender Equality Agency) found that males still dominate the Partner rankings in 2018, holding 75% of positions. The gender split of equity and non-equity partners is something that future reports are hoping to focus on. In 2018, 37 firms promoted lawyers to Partner and 19 firms promoted more women than men (51%). The report found many firms are hoping to aspire to the 40/40/20 model, with 40% of any new admissions in any year being male, 40% female, and the remaining 20% varying depending on the underlying candidate pool. This coupled with increased mentoring and a positive change in many flexibility and parental leave packages, firms are hoping will see an increase in women returning to practice and senior positions in the coming years.

Cultural diversity was also a focus in 2018 with Richard Gough (Baker McKenzie) and Andrew Pike (Herbert Smith Freehills) speaking at Diversity Council event about the results of a survey conducted across some of the larger firms to the cultural diversity of the practices. The importance of putting a spotlight on cultural diversity is not only to assist address a candidate short market but the positive impact that a diverse culture can have on a work environment, and of course the financial success of a diverse firm, when clients in 2019 are looking for representation from firms who reflect and understand their background.

BENEFITS AND REMUNERATION

Career Drivers

What keeps me here non salary benefits



health insurance



gym membership



flexible working hours



paid parental leave



mobile & laptop



performance bonus

What would tempt me to leave top 3 drivers of change



opportunity



salary increase



value alignment

The results from the Charterhouses 2019 salary survey, showed a continued pattern of legal employees looking for more, in terms of a benefits package, from their employers. Many firms have implemented changes to their paid parental schemes, flexible working hours and health and wellbeing programs in 2018 and these will continue to play a major factor when candidates are considering new opportunities.

As benefits such as flexible hours, more paid vacation time, work-from-home opportunities, paid for studies, learning and development programmes, become the norm, more firms are improving their wellbeing programmes. This will continue to be a focus for many in 2019.

The Harvard Business Review found in 2018, that employers who show they care and recognise the value in investing in their employees, not just in work related focus, but in their general wellbeing, will have a more successful and positive workforce, not to mention higher retention rates.

Performance bonuses are becoming more common across the tiers, once reserved for global or top tier practices. The bonus structures acknowledge the lift in hours worked and the success that those hours have resulted in and sharing this across those teams.

SYDNEY SALARIES

Top-Tier and International firms

1 year PQE	\$81,000 - \$113,000
2 year PQE	\$88,000 - \$120,000
3 year PQE	\$96,000 - \$133,000
4 year PQE	\$100,000 - \$146,000
5 year PQE	\$119,000 - \$171,000
Senior Associate 1 year	\$145,000 - \$192,000
Senior Associate 2 year	\$154,000 - \$226,000
Senior Associate 3 year	\$169,000 - \$234,000
Senior Associate 4 year	\$176,000 - \$251,000
Special Counsel	\$205,000 - \$353,000

**Salaries include base and superannuation only*

SYDNEY SALARIES

Mid-Tier firms

1 year PQE	\$72,000 - \$87,000
2 year PQE	\$83,000 - \$105,000
3 year PQE	\$94,000 - \$115,000
4 year PQE	\$98,000 - \$134,000
5 year PQE	\$118,000 - \$154,000
Senior Associate 1 year	\$120,000 - \$160,000
Senior Associate 2 year	\$133,000 - \$170,000
Senior Associate 3 year	\$145,000 - \$182,000
Senior Associate 4 year	\$159,000 - \$191,000
Special Counsel	\$176,000 - \$308,000

**Salaries include base and superannuation only*

SYDNEY SALARIES

Boutique/Specialist firms

1 year PQE	\$58,000 - \$81,000
2 year PQE	\$70,000 - \$94,000
3 year PQE	\$76,000 - \$103,000
4 year PQE	\$84,000 - \$123,000
5 year PQE	\$96,000 - \$144,000
Senior Associate 1 year	\$103,000 - \$166,000
Senior Associate 2 year	\$123,000 - \$183,000
Senior Associate 3 year	\$138,000 - \$197,000
Senior Associate 4 year	\$151,000 - \$205,000
Special Counsel	\$172,000 - \$217,000

**Salaries include base and superannuation only*

MELBOURNE SALARIES

Top-Tier and International firms

1 year PQE	\$74,000 - \$103,000
2 year PQE	\$81,000 - \$113,000
3 year PQE	\$84,000 - \$125,000
4 year PQE	\$94,000 - \$141,000
5 year PQE	\$103,000 - \$146,000
Senior Associate 1 year	\$125,000 - \$161,000
Senior Associate 2 year	\$133,000 - \$176,000
Senior Associate 3 year	\$142,000 - \$187,000
Senior Associate 4 year	\$176,000 - \$222,000
Special Counsel	\$177,000 - \$323,000

**Salaries include base and superannuation only*

MELBOURNE SALARIES

Mid-Tier firms

1 year PQE	\$69,000 - \$84,000
2 year PQE	\$71,000 - \$106,000
3 year PQE	\$84,000 - \$112,000
4 year PQE	\$87,000 - \$124,000
5 year PQE	\$97,000 - \$145,000
Senior Associate 1 year	\$113,000 - \$149,000
Senior Associate 2 year	\$120,000 - \$158,000
Senior Associate 3 year	\$128,000 - \$172,000
Senior Associate 4 year	\$146,000 - \$183,000
Special Counsel	\$159,000 - \$292,000

**Salaries include base and superannuation only*

MELBOURNE SALARIES

Boutique/Specialist firms

1 year PQE	\$52,000 - \$77,000
2 year PQE	\$59,000 - \$90,000
3 year PQE	\$62,000 - \$95,000
4 year PQE	\$65,000 - \$111,000
5 year PQE	\$79,000 - \$127,000
Senior Associate 1 year	\$82,000 - \$143,000
Senior Associate 2 year	\$110,000 - \$152,000
Senior Associate 3 year	\$117,000 - \$159,000
Senior Associate 4 year	\$127,000 - \$178,000
Special Counsel	\$142,000 - \$217,000

**Salaries include base and superannuation only*

BRISBANE SALARIES

1 year PQE	\$70,000 - \$83,000
2 year PQE	\$72,000 - \$99,000
3 year PQE	\$83,000 - \$110,000
4 year PQE	\$95,000 - \$127,000
5 year PQE	\$101,000 - \$152,000
Senior Associate 1 year	\$123,000 - \$170,000

**Salaries include base and superannuation only*

ADELAIDE SALARIES

1 year PQE	\$56,000 - \$73,000
2 year PQE	\$64,000 - \$82,000
3 year PQE	\$69,000 - \$90,000
4 year PQE	\$79,000 - \$125,000
5 year PQE	\$85,000 - \$136,000
Senior Associate 1 year	\$97,000 - \$159,000

**Salaries include base and superannuation only*

PERTH SALARIES

1 year PQE	\$56,000 - \$73,000
2 year PQE	\$64,000 - \$82,000
3 year PQE	\$69,000 - \$90,000
4 year PQE	\$79,000 - \$125,000
5 year PQE	\$85,000 - \$136,000
Senior Associate 1 year	\$97,000 – \$159,000

**Salaries include base and superannuation only*

ABOUT THIS DOCUMENT

This document was created by Sommer Bath, National Director Legal and David Drew, Manager - Legal Support. The data used to create this document was sourced from a combination of the following sources:

- Charterhouse Partnership 2019 Legal Professional and Legal Support Client Survey
- Charterhouse Partnership 2019 Legal Professional and Legal Support Candidate Survey
- Salary data recorded from placements made since the 2018 review period
- The Law Societies of NSW and Victoria
- Client and market knowledge of Charterhouse Legal consultants
- Articles/Reports - Thomson Reuters, Forbes, Harvard Business Review, Legal 500, the Diversity Council of Australia, Women Lawyers Association of NSW, Workplace Gender Equality Agency

ABOUT THE TEAM

The Charterhouse Legal team has over 40 years experience and specialise in the recruitment of Legal Professional and Legal Support, Shared services staffing solutions for Private Practice law firms and In-house Legal teams.

If you would like to discuss any of the information outlined in this document, please contact: Sommer Bath, National Director Legal, on sommerb@charterhouse.com.au or 02 9641 2416