

2015 Edition

Law Department Compensation Benchmarking Survey 2015

Salary | Incentives | Bonus

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LAW DEPARTMENT COMPENSATION BENCHMARKING SURVEY

2015 Edition



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Law Department Compensation Benchmarking Survey, 2015 Edition

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INTRODUCTION

HOW TO USE THIS SURVEY

Survey information is one of the most important tools of salary administration. Most employers have a formal salary administration plan that relates the pay of a position to the pay of other positions. Corporations typically have separate plans for executive and professional jobs, as compared to clerical workers and blue collar employees. Within each position, performance and length of service determine individual compensation.

A survey is used to determine an employer's position in a labor market. A labor market may cover a small or a large geographic area, depending on the attributes of the job. A labor market can cover one industry only, or it can cut across industry lines, depending upon job content. For example, the tax rules for insurance companies are unlike the tax rules that pertain to almost any other kind of corporation. Consequently, insurance tax lawyers have a specialty that is less portable outside the industry than do corporate tax lawyers in general. Patent lawyers each tend to have a technical specialty. The demand for patent lawyers with an organic chemistry background may differ from the demand for patent lawyers with an electrical engineering background, and compensation, therefore, will naturally vary with demand. In contrast to both insurance tax lawyers and patent lawyers, labor specialists are likely to be able to move from industry to industry.

No survey can measure all of the special requirements and duties that distinguish one specific position from another. However, survey data can enable an employer to position lawyer compensation within an industry and a region. It cannot be the sole factor used to fix individual compensation rates, since each lawyer's day-to-day responsibilities, training, length of employment and performance, as well as the internal equities of a corporate compensation system, will impact each specific salary and bonus decision.

Therefore, you will want to match your own department and position characteristics as closely as possible with the variables listed in the *Methodology* section.

Special Reports

The statistical analyses in this survey are designed to be the most usable to the wide variety of participants. We are often asked, however, to produce a more precisely defined set of statistics that suit a particular company's analytical needs. If you are interested in such a study, or have any questions or comments regarding this survey, please call ALM Legal Intelligence at (888) 770-5647 or email almlegalintel@alm.com.

HOW THE REPORT IS ORGANIZED

In order to facilitate ease of use, we organized the survey into six major sections. The first section labeled *Methodology* defines terminology used throughout this survey, as well as general information about the database and statistical analysis techniques. The second section labeled *Departments* includes demographics and analysis on the law departments included in this survey. The next two sections—*Management Positions* and *Non-Management Positions*, contain salary, bonus and total cash compensation analysis on the individual attorney by type of position. Furthermore, analysis is also provided on target percent for short-term incentive or bonus awards as well as eligibility for--long-term cash incentive plans, stock option, restricted stock, and performance units. All compensation data, grouped by position, is then stratified using the following independent variables that comprise the subsections of this survey:

- Region
- Core Based Statistical Area
- Size of Company
- Annual Sales Revenue
- Size of Law Department
- Type of Ownership
- Type of Departmental Organization
- Type of Salary Administration Plan
- Years in Position
- Maturity
- Area of Specialization
- Type of Industry
- New Hires
- One Lawyer Departments

The fifth section contains two appendices. Appendix A includes selected pages from the *Survey of Law Firm Economics, 2015 Edition*, published by The National Law Journal and ALM Legal Intelligence. Income and compensation data is for calendar year 2014. Please read the foreword to this appendix carefully prior to making any comparisons. Appendix B is a listing of survey participants. The last section includes a copy of the mailed questionnaire.

TERMS AND DEFINITIONS

In order to obtain maximum value from this survey, it is important to understand what the information means and how to best use it. Following are definitions of some of the variables used in this survey.

Salary

Salary is the employee's annual salary as of March 1, 2015 (calendar year).

Bonus

Bonus defines the cash bonus that the employee was awarded for 2014 performance, regardless of the time of payment. The values of long term incentives, stock options or retirement plan contributions are **not included**. Those employees with bonus amounts of \$0 are also **not included** in this analysis.

Total Cash Compensation

Total cash compensation is salary plus cash bonus, **including** those employees with bonus amounts of \$0.

Target Percent for Short Term Incentive or Bonus Award

Employee's target percent associated with expected individual, team, and/or corporate performance in 2015, expressed as a percentage of annual base salary.

Long Term Cash Plan/Stock Options/Restricted Stock /Performance Units

Individual eligibility was ascertained for each of the fore mentioned methods of long term compensation awards.

Position Codes

This survey uses a Taft-Hartley type of definition for management. In editing the information received from participating companies, we must constantly guard against the tendency to over-classify lawyer-manager positions, since over-classification will distort compensation. Below are the position classification codes used.

00 CHIEF LEGAL OFFICER/GENERAL COUNSEL

Heads corporate legal function for the parent company, or heads subsidiary of foreign-owned company if there is a separate Board of Directors. Department may be either centralized or decentralized. **Persons with dual responsibilities, such as law and finance, or law and administration, are excluded.**

10 DEPUTY CHIEF LEGAL OFFICER

An individual who shares law department-wide management responsibilities with, and reports to, the Chief Legal Officer, and who acts for him or her during absences. Supervises more than one managing attorney. (Requires at least three levels of management in the department.) This position does not exist in many departments.

20 DIVISION GENERAL COUNSEL

This person may report in a solid line to either the Chief Legal Officer or Deputy Chief Legal Officer of the parent corporation or to the manager or president of a subsidiary or major operating unit organized by product (not by legal specialty). Responsible for law department budget or operating unit legal budget. Generally responsible for departmental human resources/employment matters. Usually supervises subordinate lawyer-managers.

31 MANAGING ATTORNEY

Exercises management supervision over several salaried lawyers, including responsibility to recommend promotion or retention. Usually heads a group of lawyers organized along lines of legal specialization or company components. Usually performs legal work. May act for the Chief Legal Officer, if absent, in departments with two levels of management.

32 HIGH LEVEL SPECIALIST

Generally has 12 or more years of experience. An experienced, high-level legal specialist considered to be on a dual ladder career track comparable to a managing position in an important phase of the company's legal work. This person regularly deals with members of senior management on legal problems in his/her area of expertise. May train less experienced attorneys, but is not a supervisor in the sense that he/she does not recommend continued employment, salary adjustments or promotions. May be assigned other attorneys on a case-by-case basis.

41 SENIOR ATTORNEY

Requires eight or more years of experience. This position includes all lawyers not on a management or high level specialist level. The senior attorney may train and supervise less experienced lawyers on a day-to-day basis. May report to any level of management, depending on departmental organization, but most often reports to a Managing Attorney or Division Group Counsel.

42 ATTORNEY

Requires four or more years of experience. This position may train, but is unlikely to supervise, less experienced lawyers on a day-to-day basis. Work performed requires independent judgment and often involves direct client contact.

43 STAFF ATTORNEY

Entry level attorney with at least one year of experience. This position would not supervise or train other lawyers. Generally performs routine legal work and is closely supervised by more experienced attorneys. Also see Code 50, Recent Law School Graduate.

50 RECENT LAW SCHOOL GRADUATE

An individual who graduated from law school within the past year and who is employed in a professional capacity, irrespective of admission to practice in an appropriate jurisdiction.

Region

Region represents the geographic location of employee's position and is defined as follows:

- **New England**
- **Middle Atlantic**
- **South Atlantic**
- **East South Central**
- **West South Central**
- **East North Central**
- **West North Central**
- **Mountain**
- **Pacific**

See map at end of section for regional assignments. In some sections, analysis includes stratifications using Core Based Statistical Areas as defined by the U.S. Office of Management and Budget.

Company Size

Company size is combined into the following categories according to the number of U.S. employees:

- **1,000 Employees or Less**
- **Over 1,000 to 5,000 Employees**
- **Over 5,000 to 15,000 Employees**
- **Over 15,000 Employees**

Annual Sales Revenue

Annual sales revenue from participants' last complete fiscal year is reported in the following categories:

- **\$1 Billion or Less**
- **Over \$1 Billion to \$3 Billion**
- **Over \$3 Billion to \$10 Billion**
- **Over \$10 Billion**

Department Size

Department size is the number of full-time equivalent salaried lawyers employed as such by the company. Department size is grouped as follows:

- **One Lawyer**
- **2 to 5 Lawyers**
- **6 to 10 Lawyers**
- **11 to 25 Lawyers**
- **Over 25 Lawyers**

Department size impacts all positions in some manner, but it particularly impacts the position of Chief Legal Officer/General Counsel, Deputy Chief Legal Officer and Division General Counsel.

It is generally accepted that a Chief Legal Officer who directs a large group of lawyers will be paid more than the head of a small law

department. Therefore, in comparing senior management positions, consideration of department size is particularly important.

Ownership

Another important measure in examining the compensation of the Chief Legal Officer position is the form of ownership of the enterprise. We categorized ownership as follows:

- **Publicly-held or Mutual Company**
- **Privately-held Company**
- **Subsidiary/Division/Joint Venture**
- **Not-for-Profit/Government**
- **Other**

Organization

The survey categorizes organizations two ways: by reporting relationship and geographic location.

Reporting Relationship

- **Centralized** – Bulk of legal activities and personnel report in a direct line to CLO/GC.
- **Decentralized/Mixed** – Lawyers are assigned to operational units, subsidiaries, or divisions. These lawyers report directly or indirectly to the head of the operational unit and headquarters.
- **Solo** - One lawyer department.

Geographic Location

- **Centralized** – Majority of personnel physically centralized in one location.
- **Decentralized** – Majority of personnel physically dispersed within operational units, subsidiaries, or divisions.

- **Mixed** – Some personnel physically centralized and some dispersed within operational units, subsidiaries, or divisions.

Salary Administration Plan

Analyses of compensation differ between employers who operate under a Hay Salary Administration Plan and other employers. This information is especially useful for the many participating employers operating under such plans.

Number of Years in Position

The length of time spent in a position can have a major impact on compensation. Experience is a factor across all positions. Wherever possible, we analyzed data using the following stratifications:

- **One year or less**
- **2 to 5 years**
- **6 to 10 years**
- **11 to 15 years**
- **16 to 20 years**
- **Over 20 years**

Maturity

Just as length of time in position impacts compensation, length of professional experience is also a major factor in the compensation of the attorney positions. Maturity is defined in this survey as **Year Admitted to Bar**--the actual year in which the employee was first admitted to the bar of any jurisdiction. Maturity has little impact on jobs at the management level. In management positions, the number of positions supervised, degree of budget responsibility, and the overall importance of the professional assignment of the group are the important factors.

We categorized maturity as follows:

- **Before 1980**
- **1980 – 1984**
- **1985 – 1989**
- **1990 – 1994**
- **1995 – 1999**
- **2000 – 2004**
- **2005 – 2009**
- **2010 – 2015**

Practice Specialty Codes

The following specialty codes were given to all employees, to determine the impact the market supply/demand has on attorney compensations. A practice specialty is where one concentrates the majority of his/her efforts. Legal specialties for lawyers were divided into **Non-Litigation**, **Litigation** and **Generalist** categories.

Non-Litigation

100	Administrative/Legislative/ Regulatory
101	Banking
102	Bankruptcy
103	Collections
104	Commercial/Contracts
105	Copyrights/Trademarks
106	Education
107	Employee Benefits (ERISA)
108	Employment
109	Environmental
110	General Business
111	Health Care
112	Insurance
113	Intellectual Property
114	International
115	Labor/Collective Bargaining (Mgmt.)
116	Labor/Collective Bargaining (Union)
117	Maritime
118	Mergers/Acquisitions
119	Municipal Finance
120	Natural Resources
121	Patents
122	Real Estate
123	Securities
124	Taxation
125	Trusts/Estates/Probate
126	Utilities
127	Other Non-Lit. Specialties
128	Multiple Non-Lit. Specialties

300 Generalist

Litigation

200	Antitrust
201	Bankruptcy
202	Collections
203	Commercial/Contract
204	Copyright/Trademarks
205	Education
206	Insured Defense
207	Self-insured Defense
208	Employee Benefits (ERISA)
209	Employment
210	Environmental
211	Health Care
212	Intellectual Property
213	International
214	Labor/Collective Bargaining (Mgmt.)
215	Labor/Collective Bargaining (Union)
216	Maritime
217	Natural Resources
218	Patents
219	Personal Injury
220	Products Liability
221	Real Estate
222	Securities
223	Taxation
224	Trusts/Estates/Probate
225	Workers' Compensation
226	Other Litigation Specialties
227	Multiple Litigation Specialties

Specialty codes are combined in some analyses as follows:

Non-Litigation Specialties

- **Administrative/Legislative/Regulatory**-Code 100
- **Banking**-Code 101
- **Business**-Codes 102,103,110
- **Commercial/Contracts**-Code 104
- **Copyrights/Trademarks**-Code 105
- **Education**-Code 106
- **Employee Benefits**-Code 107
- **Employment**-Code 108
- **Environmental/Resources**-Codes 109,120
- **Health Care**-Code 111
- **Insurance**-Code 112
- **Intellectual Property**-Code 113
- **International**-Code 114
- **Labor (Mgmt./Union)**-Codes 115,116
- **Mergers/Acquisitions**-Code 118
- **Patents**-Code 121
- **Real Estate**-Code 122
- **Securities**-Code 123
- **Taxation**-Code 124
- **Utilities**-Code 126
- **Multiple Non-Litigation Specialties**-Code 128
- **Other Non-Litigation Specialties-All other codes**

Litigation

- **Commercial/Contracts**-Code 203
- **Employee Benefits (ERISA)**-Code 208
- **Employment**-Code 209
- **Environmental/Resources**-Codes 210,217
- **Health Care**-Code 211
- **IP/Patents/Copyrights**-Codes 204,212,218
- **Labor (Mgmt./Union)**-Codes 214,215
- **Personal Injury/Product Liability**-Codes 219,220
- **Securities**-Code 222
- **Workers' Compensation**-Code 225
- **Multiple Litigation Specialties**-Code 227
- **Other Litigation Specialties-All other codes**

Industry

Industry classifications are based on the North American Industry Classification System (NAICS) codes. We combined categories of classifications as follows and labeled the analysis *Detailed Industry*.

NAICS Codes:

• 2100 thru 2130	Mining
• 2200 thru 2213	Utilities
• 3220	Manufacturing-Paper
• 3250 thru 3259	Manufacturing-Chemical/ Pharmaceutical
• 3310 thru 3330	Manufacturing-Metal/Machinery
• 3340 thru 3350	Manufacturing-Computer/ Electronic/Electrical
• 3360	Manufacturing-Transportation Equipment
• 3100 thru 3210, • 3230 thru 3240, • 3260 thru 3270, • 3370 thru 3399	Manufacturing-Other
• 4200 thru 4240	Trade-Wholesale
• 4400 thru 4540	Trade-Retail
• 4800 thru 4900	Transportation/Warehousing
• 5100 thru 5190	Information/Telecommunications
• 5200 thru 5230, 5250	Finance
• 5240 thru 5242	Insurance
• 5400 thru 5419	Services-Professional/Scientific/ Technical
• 6200	Services-Health Care
• 5500/5600/6100 • 7100/7200/8100	Services-Other
• All others	Other Industry

There are some instances where we combined these codes even further into *General Industry*.

NAICS Codes:

• 2100	Mining
• 2200	Utilities
• 3100 thru 3300	Manufacturing
• 4200, 4400 thru 4500	Wholesale/Retail Trade
• 4800 thru 4900	Transportation/Warehousing
• 5100	Information/Telecommunications
• 5200	Finance/Insurance
• 5400 thru 8100	Services
• All others	Other

INFORMATION ABOUT THE DATABASE

This study is undertaken annually. An invitation to participate was sent to a selected group of organizations during February 2015. These are companies that are past participants and purchasers of ALM Legal Intelligence surveys and products, as well as companies that have had prior contact with ALM. We also utilized various law department leadership mailing lists.

Characteristics of the Survey

This is a study of the compensation of lawyers employed by business corporations and institutions in the United States.

A total of 106 employers provided compensation information. We utilized 74 employers to tabulate compensation on 2,511 lawyers. One-lawyer departments were **excluded** from all tables, except where specifically indicated. Analysis is also shown separately for new hires and officer designated positions. These groupings of individuals are **included** in all other tables.

Effect of Sample Variation on Data

Since the mix of survey participants changes from year to year, care should be taken when comparing general survey information with that of previous years. A list of participants is included in the *Appendices* section.

STATISTICAL TERMS AND DEFINITIONS

The statistical terms used in the survey are defined below and illustrated in the example.

Quartiles

Quartiles are the percentage points that break down the data set into quarters—first quarter, second quarter, third quarter, and fourth quarter. The first quartile, or lower quartile, is the 25th percentile point. It is the point below which lies one-quarter of the data. The second quartile is the 50th percentile or median. The median is the point below which lies half the data. The third quartile, or upper quartile, is the 75th percentile point. It is that point below which lie three quarters of the data.

Deciles

In some tables the ninth decile or 90th percentile is also shown. It is the point below which lies 90% of the data. Conversely, 10% of the data lies above this point.

Average

The average (or mean) is the total value of all observations divided by the number of observations. It is important to note that in the analysis of compensation data, the average is not a good measure of comparison. The average is very sensitive to outliers and may be seriously distorted by only a very few outliers (see example on next page). Please use caution when applying the average to your individual comparisons; the median is the preferred statistical measure.

Employee Number	Salary
1	450,000
2	85,000
3	80,000 Upper Quartile or 75 th percentile
4	75,000
5	70,000
6	65,000 Median or 50 th percentile
7	60,000
8	55,000
9	50,000 Lower Quartile or 25 th percentile
10	45,000
11	40,000

Average is 97,727

Median is 65,000

Weighted Data

All averages used in this survey are computed using the weighted method.

Weighted data are analogous to the House of Representatives (i.e., states have more or less representation based on their size); unweighted data are like the Senate (i.e., each state has the same representation).

Weighted data computations use the number of lawyers with each employer as part of the calculation (e.g., an employer with five lawyers gets a weight of five while an employer with 75 gets a weight of 75). For example, in calculating weighted averages for salaries, all lawyers at one position are counted, salaries for all lawyers at that position are summed, then the total for salaries is divided by the total number of lawyers.

Confidentiality

No individual information is shown in order to ensure the confidentiality of participants. Where there are fewer than five (5) employers or seven (7) employees, no data are reported (deleted from the tables). Medians are shown for eleven or more (11+) positions. Quartiles and ninth decile information is only reported for 17 or more positions (17+). In instances where the sample size is not sufficient to draw conclusions, a dash is inserted in the table. The number of employers and positions analyzed is reported in each table.

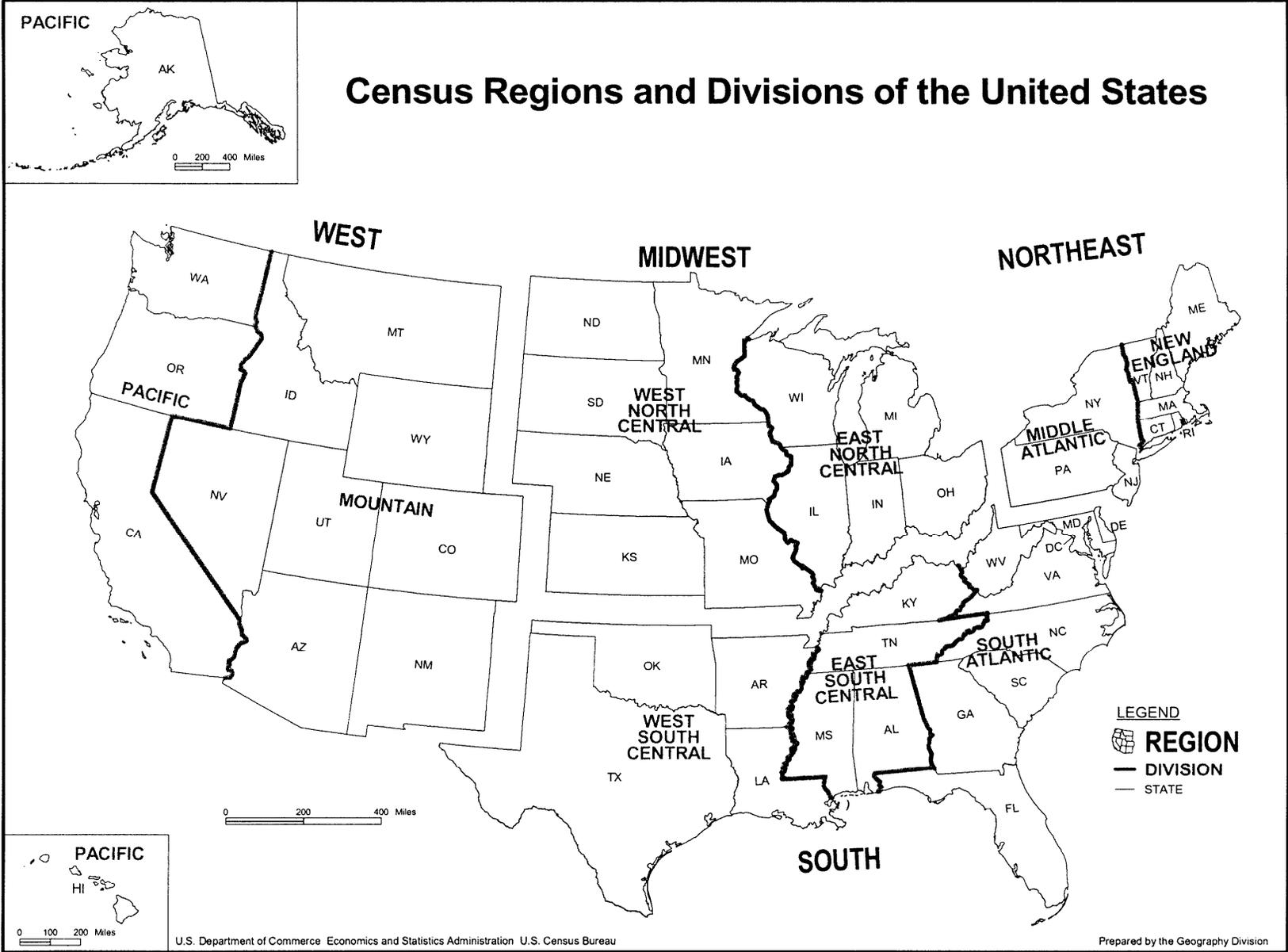


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