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In-house Heads of Legal face real terms pay cuts as salary increases lag behind inflation

- **Very few companies report difficulty in recruiting in-house lawyers**

In-house Heads of Legal have seen their salary increase by an average of 2.5% in the last year, and are now standing at £132,310 per annum reveals the latest research by Incomes Data Services (IDS).¹

With the Retail Prices Index (RPI) currently running at above 5% this figure represents a real terms decline in salaries.

However, according to IDS, this is an improvement on last year's pay increases for in-house Heads of Legal that averaged just 1.5%.

The IDS in-house lawyer survey also covered other positions where salaries ranged from a low of £43,720 for solicitors with little or no experience to £91,410 for deputy general counsels.

Another sign of a gradual thaw in the in-house legal market was a decrease in the number of private sector employers imposing pay freezes on their in-house lawyers, down to 21% of employers compared to the 32% of employers who had pay freeze in place last year.

In-house lawyers working for public sector and not-for-profit organisations were least likely to see pay increases with 56% of employers in this group freezing pay for their in-house lawyers this year.

“Despite the modest headline improvements in pay awards, in-house lawyers are experiencing a squeeze in real earnings,” comments Nasreen Rahman, principal researcher at IDS, “Although a significant proportion of in-house lawyers continue to receive bonus payments these are generally no bigger than last year and not enough to make up for the ground lost to pay freezes and rising inflation.”

According to IDS data, in-house lawyers in 74% of the companies surveyed were eligible for annual bonuses. Bonus amounts as a proportion of salary varied by seniority, ranging from a median of 30% for Heads of Legal to 10% for qualified solicitors.

Bonus awards generally remained static for in-house lawyers. Only Heads of Legal reported any increase in their bonus payments and even here the outlook remains mixed, says Nasreen Rahman.

¹ Year to September 30 2011

IDS say that 39.5% of Heads of Legal said that their bonuses this year were higher compared to last year, while 35.2% of this group maintained that their bonuses were lower.

The IDS survey also found that 6% of organisations surveyed mentioned difficulty in recruiting in-house lawyers and one firm complained of retention issues.

“When looking at recruitment in the in-house legal market, these low figures are in part a reflection of the low rate of hiring. Only four of the companies we surveyed said that they were looking to employ in-house lawyers,” Nasreen Rahman comments.

“However, this might also reflect the fact that there is a surplus of applicants for in-house legal jobs as more lawyers decide to leave legal firms in favour of going in-house.”

“In-house lawyers may miss out on the larger bonuses, salaries and profit shares on offer in private practice law firms but they are willing to trade this off for a better work-life balance with more regular working hours.”

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Note to editors:

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