



✓ **London Law Firm Assistants Salary and Bonus  
Trends and Predictions**

February 2015

## Summary of London Law Firm Salaries 2014/15

	Magic Circle		Silver Circle/Top International		City Midsize/National		Smaller City/Large West End		New York Rates		Mid-Atlantic Rates	
	Range £	Typical £	Range £	Typical £	Range £	Typical £	Range £	Typical £	Range £	Typical £	Range £	Typical £
NQ	65,000-67,500	66,500	63,500-65,000	64,000	59,000-63,000	60,000	55,000-58,000	58,000	94,250-101,265	97,500	70,000-88,000	78,000
1pqe	70,000-77,500	72,500	67,500-71,500	70,000	61,000-68,000	65,000	57,000-63,000	63,000	100,000-107,595	104,000	75,000-95,000	82,000
2pqe	79,000-87,500	82,500	72,500-81,000	76,000	64,500-74,600	69,000	59,000-68,000	66,000	109,000-117,090	112,000	84,500-103,500	91,000
3pqe	89,000-100,000	93,500	82,500-91,000	85,000	68,000-80,000	75,000	63,000-73,000	70,000	123,000-132,910	124,000	92,250-111,000	100,000
4pqe	94,000-107,500	98,000	85,000-101,000	90,000	75,000-90,000	80,000	67,000-78,000	74,000	135,000-145,570	136,500	100,500-119,000	108,000
5pqe	100,000-115,000	105,000	88,000-110,000	94,500	80,000-95,000	86,000	69,000-80,000	78,000	145,000-158,230	148,000	107,500-127,000	115,000
6pqe	105,000-120,000	111,000	92,000-115,000	98,000	84,000-100,000	90,000	71,500-90,000	82,000	152,000-167,720	160,000	115,000-135,000	125,000
7+pqe	112,000-135,000	125,000 +	95,000-130,000	107,000+	88,000 - 115,000	96,000 +	72,000-105,000	87,000 +	160,000-195,000	170,000+	120,000-170,000	140,000+

### Overview of London Law Firm Recruitment Market in 2014

The final quarter of 2013 marked the beginning of a sustained improvement in law firm recruitment activity, which continued unabated throughout 2014. The elevated demand for City lawyers was in line with a strongly improved domestic economy.

Permanent lawyer vacancies were up more than a third on the same period of any year since 2008, with recruitment activity in some long dormant sectors,

such as real estate, equity capital markets, securitisation and tax, returning to levels not seen since 2007.

Although corporate, finance and dispute resolution made a strong contribution to elevated law firm recruitment, much of the increased demand came from multiple single firm vacancies for real estate and real estate related lawyers. In this area, supply and demand dynamics exerted upward pressure on salaries: newly in demand assistants in smaller City/West End and mid-tier law firms, whose merit-based pay has often left them off-market in relation to their peers,

found themselves courted by higher paying firms. In a very short time period this led to both a spate of counter-offers and, in many real estate departments, senior level discussions on the wholesale need to re-calibrate assistant level pay. Another feature of the supply and demand crunch in real estate was that much of the existing spare capacity, in the form of quality contractors and high end paralegals, was absorbed into full time lawyer roles.

More generally, 2014 saw an external demand for both March and September qualified solicitors in City firms for the first time in six years.

### The Challenge from In-House

The latest available figures show that the number of solicitors with practising certificates working in commercial roles in-house (C&I) grew by 0.9% in 2013 (source: *The Law Society Annual Statistical Report*). This is by far the slowest rate of growth we have seen in C&I since 2000, dramatically down on the average 9% annual growth between 2000 and 2011. It is also the second consecutive year that the growth in the number of in-house lawyers in commercial in-house roles has fallen. There are a number of possible explanations for this apparent softening in demand, but it is too early to say whether or not this constitutes a trend.

Despite this substantial reduction in growth of C&I, it is clear that in-house continues to constitute the greatest on-going competition to law firms for legal talent: only 3% of all solicitors train in commercial in-house organisations, and virtually all the lawyers moving in-house are sourced from law firms.

One area of growth in-house seen in the first half of 2014 was traditional investment banks, which, for the first time since 2010, returned to the market in force to hire structured products, funds and capital markets lawyers. This increase in demand appeared to cool significantly in the second half of 2014, however.

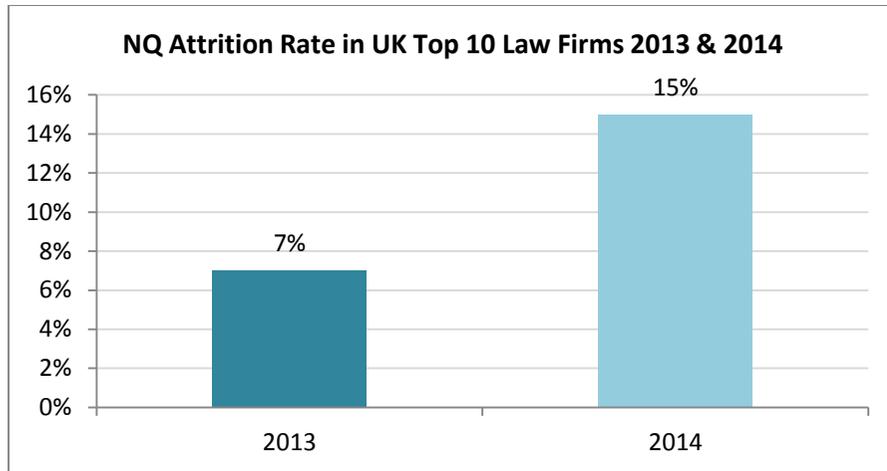
### Law Firm Attrition Rates

In spite of an undoubtedly improved recruitment market, the PwC Law Firms' Survey 2014 indicated that attrition rates for 1-5 ppe lawyers in Top 10 law firms remained more or less flat on those of 2013. For 3-5 ppe lawyers at Top 10 firms (traditionally the most in demand in the market) this was 21% - well below the 29% peak of 2007. In view of the much more active recruitment market in 2014, we would expect to see attrition rates creep up; the reason they have not is most likely because the PwC figures, compiled for the financial ending April 2014, predominantly measure attrition in the 2013 calendar year.

One area where PwC noted attrition to have sharply increased in Top 10 law firms was at the newly qualified level, more than doubling from 7% to 15%. This is unsurprising in view of the sharp reduction in the number of trainees working in commercial law firms since 2008, which, in spite of City firms now once again increasing trainee numbers, broadly mirrors the 15% reduction nationally since 2008.



(Source: *The Law Society Annual Statistics Report*)



(Source: PwC Law Firms' Survey 2014)

### Assistant Base Salaries

Although pioneered by the UK mid-tier, over the past five years, elements of merit-based pay systems have crept into nearly all classes of law firm, including some Magic Circle and those US firms paying Mid-Atlantic Rates. The only class of firm completely immune to this trend so far has been US law firms paying New York Rates.

The adoption of some form of merit-based pay over lockstep means that the range of base salaries paid to individual lawyers of a given level of pqe has become stretched, making pqe a much less certain method of determining an individual lawyer's base salary than it once was. Nevertheless, it is our observation that, in firms adopting merit-based pay, compensation is still very closely tied to pqe level up to 3 years pqe, and, for the vast majority of assistants up to 6 pqe, qualification level remains a recognisable benchmark, with less than a third of lawyers at these firms deviating markedly from the norm for their level.

For this reason Edwards Gibson has continued to report its base salary information on the basis of pqe.

### A Note on Lockstep vs. Merit Based Pay

Lockstep is the traditional method used by both UK and US law firms to remunerate their assistant level lawyers. Essentially, it is designed to increase a lawyer's base salary directly in line with the number of years of experience they have accumulated. The major advantage of this system is that it is totally transparent and saves significant partner and HR administrative downtime. The major disadvantage, however, is that it does not take into account the quality of an individual's performance.

Merit-based pay systems are, by definition, more bespoke, and are designed to recognise an individual's contribution to their firm. Where merit-based pay has been adopted, the criteria for assessment, and the extent to which they have been implemented across all levels of qualification, varies hugely. In practice for most lawyers beyond 3 pqe, the seniority driven pay model is distorted by some additional form of discretionary promotion or assessment impacting both salaries and career track.

One informal trend increasingly evidenced amongst mid-tier firms has been the use of practice area, rather than an individual's performance, as the start point for merit-based assessment. As a result of this some practice areas where, since 2008, demand for lawyers had been light were often paying even objectively high performing individuals 5-10% below the perceived "market rate" for their level of qualification.

Law firms who have adopted this model informally report that it has enabled significant savings on compensation, whilst enabling them to be more flexible in their recruitment offers. However, many firms, including most of the elite US and UK names, have shied away from implementing such a system due to significant reservations about the levels of partner downtime required to properly administer it.

The base salary figures below are intended as a general guide to assistant remuneration in City law firms and therefore include representative amounts from merit-based paying law firms as well as those using a lockstep model.

### UK Headquartered Law Firms

UK headquartered law firms generally review assistant salaries between April and July. As predicted in our [Trends and Predictions](#) document last year, 2014 saw the first above inflation pay rises at UK headquartered law firms since 2008. Magic Circle and Silver Circle/Top International firms saw typical pqe rises in the order of 3-5%. For City Midsize/Large National firms, the pqe rises were predominantly confined to the NQ-2 level. However, a handful of firms, which were starting to lag behind their peers, undertook mid-year reviews.

As a result of the 2014 rises, lawyers at NQ-3 pqe are now for the first time earning more on average than they were in 2008 - although, after inflation, they are still earning substantially less in real terms (see below).

### Magic Circle

Pqe Level	Range (£)	Typical (£)		
		2014	2013	% change
NQ	65,000-67,500	66,500	64,000	4
1	70,000-77,500	72,500	69,500	4
2	79,000-87,500	82,500	78,250	5
3	89,000-100,000	93,500	89,000	5
4	94,000-107,500	98,000	96,500	2
5	100,000-115,000	105,000	102,000	3
6	105,000-120,000	111,000	107,000	4

### Silver Circle/Top International

Pqe Level	Range (£)	Typical (£)		
		2014	2013	% change
NQ	63,500-65,000	64,000	63,000	2
1	67,500-71,500	70,000	68,000	3
2	72,500-81,000	76,000	74,000	3
3	82,500-91,000	85,000	83,000	2
4	85,000-101,000	90,000	87,000	3
5	88,000-110,000	94,500	92,000	3
6	92,000-115,000	98,000	96,000	2

### City Midsize/National

Pqe Level	Range (£)	Typical (£)		
		2014	2013	% change
NQ	59,000-63,000	60,000	58,000	3
1	61,000-68,000	65,000	62,000	5
2	64,500-74,600	69,000	67,000	3
3	68,000-80,000	75,000	75,000	0
4	75,000-90,000	80,000	80,000	0
5	80,000-95,000	86,000	86,000	0
6	84,000-100,000	90,000	90,000	0

## US Firms in London

For compensation purposes, US headquartered law firms in London are commonly divided into two types: those paying “New York Rates” and those paying “Mid-Atlantic Rates” to their London-based, UK qualified assistants. Confusingly, many New York headquartered firms pay Mid-Atlantic Rates and a number of non-New York headquartered US firms pay New York Rates to their UK qualified London assistants.

The highest level of assistant compensation paid to UK qualified lawyers in London is found at firms paying New York Rates. The differential is significant: for example, newly qualified lawyers are paid a base salary which is on average nearly 50% greater than at Magic Circle law firms. However, unlike most UK law firms, few historically have made pension contributions (typically worth between 3-8% of base salary). Pensions Auto Enrolment, which in the UK will be mandatory for all but the smallest of law firms after 2015, will change this and the inevitable increase in cost for firms may have the effect of dampening future assistant base salary increases.

Salaries at these firms are generally reviewed in January, which can lead to substantial variations among New York Rate paying firms. This is because some firms will matriculate “first years” (March or September newly qualified) into “second year” (1 pqe) lawyers in the January after they qualify, whilst others require that September qualifiers remain on the same “first year” (NQ) pay scale for a full year and three months following their qualification date.

Traditionally, base salary compensation at these firms has been calculated in US dollars based on levels paid to associate lawyers in their New York offices. In London, these figures are converted using a fixed exchange rate, which varies from year to year and firm to firm but recently has tended to hover around 0.6 US\$:£Sterling. New York Rate paying firms invariably retain assistant lockstep but, depending on the exchange rate level each firm sets in the UK, base salaries

for lawyers in London can vary significantly between firms even when the underlying salaries in US\$ are the same. In recent years, most New York Rate paying firms appear to have moved their London assistant rates away from a direct anchor to New York, although in practice they generally pay on par with their New York offices after conversion.

### *New York Rates*

Pqe Level	Headline \$US Rate	Range (£)	Typical (£)		
			2015	2014	% change
NQ	160,000	94,250-101,265	97,500	97,000	0
1	170,000	100,000-107,595	104,000	104,000	0
2	185,000	109,000-117,090	112,000	112,000	0
3	210,000	123,000-132,910	124,000	124,000	0
4	230,000	135,000-145,570	136,500	136,500	0
5	250,000	145,000-158,230	148,000	148,000	0
6	265,000	152,000-165,720	160,000	160,000	0

There has been little or no change in attorney compensation in the US since 2008, with the first year salary (NQ equivalent) remaining at \$160,000 for New York firms. In 2015 those US firms in London paying New York Rates to their UK associates saw their salaries remain static (aside from variations arising from exchange rate fluctuations); however, assistants have continued to matriculate through the class year (pqe) bands, with the result that individual lawyers still saw typical pay rises of 7-11% in January 2015 (see below).

### **Mid-Atlantic Rates**

Pqe Level	Range (£)	Typical (£)		
		2014	2013	% change
NQ	70,000-88,000	78,000	75,000	4
1	75,000-95,000	82,000	80,000	3
2	84,500-103,500	91,000	86,000	6
3	92,250-111,000	100,000	97,000	3
4	100,500-119,000	108,000	108,000	0
5	107,500-127,000	115,000	115,000	0
6	115,000-135,000	125,000	125,000	0

This year we found class year salary rises in Mid-Atlantic Rate paying firms of between 3-6% at the NQ-3 level. Above 3 pqe, although the “range” of salaries in Mid-Atlantic firms stretched upwards, we did not observe any significant changes in “typical” compensation.

The Mid-Atlantic Rate is the basic pay model adopted by the majority of US firms in London. These salaries tend to be set in London with little or no direct relationship to the salaries paid in the US by those firms. Mid-Atlantic Rates are generally higher than UK headquartered law firm salaries but lower than full New York Rates.

Unlike New York Rate paying firms, some firms paying Mid-Atlantic Rates have adopted merit-based pay structures. The class of firm paying Mid-Atlantic Rates in London varies enormously and ranges from elite “White Shoe” New York law firms to US headquartered global, national, regional and niche firms. Because the mix of firms is so eclectic, so too are the salary ranges. Salaries at these firms are generally reviewed between April and July although a significant minority review in January. In recent times a very small number of US law firms in London have been paying salaries which come within 5-8% of New York Rates. However, because these distorting outliers are few in number, in order to avoid the “range” for Mid-Atlantic Rates becoming so stretched as to be meaningless, Edwards Gibson have chosen to not include these “Super Mid-Atlantic Rates” in our summary for the purposes of our 2015 survey.

### Increases for Individual Lawyers

Although law firm salary rises between 2008 and 2013 were generally below inflation, because most law firms continued to remunerate their assistants on a quasi-lockstep, or even full lockstep basis (i.e. matriculating their lawyers through the pay bands on an annual basis in line with their pqe increase), in most cases up to 3 pqe, individual lawyers in leading firms still saw pay increases of at least 10% (for a fuller explanation of this phenomenon see Edwards Gibson market update [“The real meaning of ‘frozen’ salaries in law firms”](#)).

In 2014, for the first time since 2008, individual lawyers in top firms benefited from both a matriculation (pqe) increase and a simultaneous increase in pay band for their new (pqe) level. The impact of this was most pronounced at the NQ-4 pqe level, where lingering lockstep continued to prevail in elite law firms. As a result of this double bump in 2014, individual Magic Circle lawyers saw rises of between 9 and 19%. At most firms, beyond 6 pqe, individual increases in compensation become far more incremental.

#### *Magic Circle*

Typical increase for individuals (taking into account increase in salaries and increased pqe level)			
	2014 (£)	2013 (£)	% change
1 pqe (NQ in 2013)	72,500	64,000	13
2 pqe (1 in 2013)	82,500	69,500	19
3 pqe (2 in 2013)	93,500	78,250	19
4 pqe (3 in 2013)	98,000	89,000	10
5 pqe (4 in 2013)	105,000	96,500	9
6 pqe (5 in 2013)	111,000	102,000	9

#### *Silver Circle/Top International*

Typical increase for individuals (taking into account increase in salaries and increased pqe level)			
	2014 (£)	2013 (£)	% change
1 pqe (NQ in 2013)	70,000	63,000	11
2 pqe (1 in 2013)	76,000	68,000	12
3 pqe (2 in 2013)	85,000	74,000	15
4 pqe (3 in 2013)	90,000	83,000	8
5 pqe (4 in 2013)	94,500	87,000	9
6 pqe (5 in 2013)	98,000	92,000	7

#### *City Midsize/National*

Typical increase for individuals (taking into account increase in salaries and increased pqe level)			
	2014 (£)	2013 (£)	% change
1 pqe (NQ in 2013)	65,000	58,000	12
2 pqe (1 in 2013)	69,000	62,000	11
3 pqe (2 in 2013)	75,000	67,000	12
4 pqe (3 in 2013)	80,000	75,000	7
5 pqe (4 in 2013)	86,000	80,000	8
6 pqe (5 in 2013)	90,000	86,000	5

**New York Rates\***

Typical increase for individuals (taking into account increase in salaries and increased pqe level)			
	2015 (£)	2014 (£)	% change
1 pqe (NQ in 2014)	104,000	97,000	7
2 pqe (1 in 2014)	112,000	104,000	8
3 pqe (2 in 2014)	124,000	112,000	11
4 pqe (3 in 2014)	136,500	124,000	10
5 pqe (4 in 2014)	148,000	136,500	8
6 pqe (5 in 2014)	160,000	148,000	8

\*Some New York Rate paying firms will matriculate “first years” (March or September newly qualified) into “second years” (1 pqe) lawyers in the January immediately after they qualify, whilst many others require September qualifiers to remain on the same “first year” (NQ) pay scale for a full year and three months following their qualification date. The above is modeled on the former.

**Mid-Atlantic Rates**

Typical increase for individuals (taking into account increase in salaries and increased pqe level)			
	2014 (£)	2013 (£)	% change
1 pqe (NQ in 2013)	82,000	75,000	9
2 pqe (1 in 2013)	91,000	80,000	14
3 pqe (2 in 2013)	100,000	86,000	16
4 pqe (3 in 2013)	108,000	97,000	11
5 pqe (4 in 2013)	115,000	108,000	7
6 pqe (5 in 2013)	125,000	115,000	9

**Lawyer Compensation is Still Significantly Below its 2008 Peak in Real Terms**

In spite of the pqe level base salary increases in 2014, the preceding five years of below-inflation pay increases since 2008 mean that in all types of commercial law firms, City lawyers of equivalent class level are earning less *in real terms* than they were in 2008. With New York Rate paying firms this is easy to demonstrate, thanks to the almost universal preservation of assistant level lockstep (where an individual lawyer’s compensation increases each year they matriculate up a class (pqe) year). The widespread adoption of “merit-based pay” by UK headquartered City firms makes this assertion a little harder to prove mathematically but does not make it any less correct – indeed, most firms using merit-based pay admit that it has enabled significant wage savings. Evidence of real pay reductions can be shown by comparing newly qualified (NQ) lawyer salaries in 2008 with those in 2014 (or 2015 for New York Rate paying firms):

<i>Typical London Salaries</i>	<i>Magic Circle firms</i>	<i>Silver Circle/ Top International firms</i>	<i>City Mid-size/ national firms</i>	<i>Mid-Atlantic Rates</i>	<i>New York Rates</i>
NQ 2008	£65,000	£64,000	£62,000	£78,000	£94,000
NQ 2014/15	£66,500	£64,000	£60,000	£78,000	£97,500
Change	+2%	0%	-3%	0%	3%
Change in real terms*	-15%	-17%	-20%	-17%	-14%

\*Adjusted for inflation using CPI

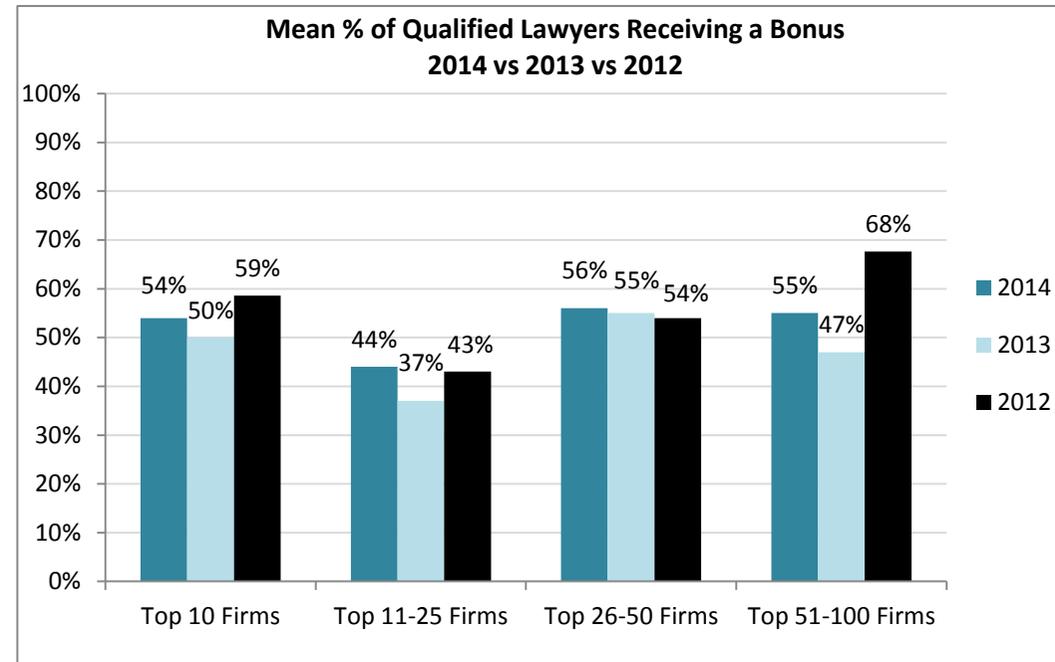
## Retention Bonus Payments

Nearly all law firms include a bonus element in their assistant remuneration packages, however, the criteria for receiving a payment vary widely from firm to firm. UK headquartered City firms rarely pay universal fixed percentage payments to assistants based on the performance of the firm as a whole; instead, they increasingly use bonus payments to differentially reward lawyers in “hot” areas or on the basis of an individual’s exceptional performance, client winning skills or chargeable hours. Often a combination of all these is used.

Bonus payments are by no means universal: the overall proportion of lawyers receiving them at UK headquartered law firms varies significantly depending on both the seniority of lawyer and type of law firm.

In 2014 the proportion of lawyers receiving bonuses appeared to have increased on 2013, but generally remains down on 2012.

Where bonuses are paid, the amounts vary from (largely theoretical) highs of 30% - 40%, to as little as 3% of base salary - with 5-15% being typical for mid-level assistants.



\*At Top 100 UK headquartered law firms. Excluding partners (source: PwC Law Firms’ Survey 2014)

## Benefits

Additional benefits are widely offered to assistant lawyers at commercial UK law firms. Generally these would include a group pension scheme (either contributory or non-contributory – typically 3-8%), life assurance, private medical and dental care, travel loans and gym subsidies. Most US firms in London also offer similar benefits packages. However, it is less common for New York Rate paying firms to contribute to lawyers’ individual pension schemes, though the impact of the pensions auto enrolment legislation will change this at most firms.

## Professional Support Lawyers (“PSLs”)

Demand for PSLs or Knowledge Management lawyers almost completely collapsed in 2009 as non-fee earning lawyer roles became something of an expendable luxury. In 2011 the requirement for PSLs returned and has been steadily increasing since - usually, but not always, correlating with fee earner demand.

PSL roles are often compelling to City lawyers because they offer certainty of hours, frequently combined with flexible working. As a result, compensation for PSLs has traditionally been about 10-15% below that of equivalent level fee earners. Although this rule of thumb still holds true in many City firms (and a few firms even pay PSLs’ base salaries on par with their fee earners), in recent times there has been some downward de-coupling of the fee earner link. This is particularly so where PSLs report into business service functions (as opposed to fee earning departmental heads). Moreover, whilst many PSLs continue to focus on the knowledge precedent drafting/training aspects of the role, the roles themselves have often become more diversified and, particularly at the more senior end, sometimes blur into pitch presentation and practice manager roles.

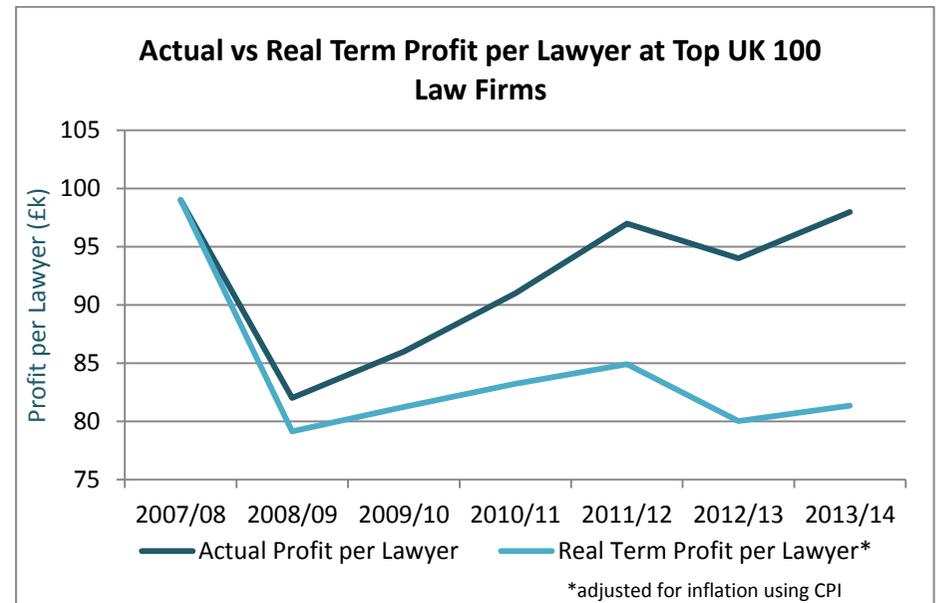
The result of this is that the compensation range for PSLs has become stretched and it is less possible to calibrate it simply by reference to practice area and class of law firm.

## Outlook & Predictions for 2015

Whilst elevated recruitment levels arising from an increase in demand for assistant level lawyers has clearly exerted a general upward pressure on lawyer compensation, the market is currently in no danger of a 1999-2001 or 2006-2008 market boom. Many of the larger rises seen in 2014 were due to individual departments or firms making one-off recalibrations to bring them in line with market norms for their peer group. US based law firms, which include all New

York Rate paying US firms in London, pointedly did not raise base salaries in their annual reviews in January 2015, and although “sign-on bonuses” have once again become a fairly regular occurrence at City firms, where paid, they tend to be modest. Moreover, in many large firms, years of low attrition rates amongst Senior Associates means that some departments remain top heavy and will likely see continued low level redundancies at the 8+ ppe level.

In assessing adjustments in compensation, law firm management will be mindful that 2014 only just saw profits per lawyer return to their 2007/8 highs, which, in real terms, means they still languished 18% behind their market peak.



(Source: Legal Business and Edwards Gibson)

Nevertheless, in spite of considerable economic uncertainty arising from a general slowdown in the global economy; the possibility of a further currency crisis triggered by a potential Greek exit from the Euro; and a forthcoming general election - with the prospect of a UK exit from the EU - at the time of writing (February 2015) all mainstream UK and international forecasters continue to project relatively strong growth in the domestic economy in 2015.

At present the assistant level recruitment market at the 1-5 ppe level can fairly be described as buoyant. The dramatic fall in trainee numbers post 2008 combined with a lower proportion of these smaller number of trainees being retained by City firms between 2009 and 2013 means that in many practice areas there is a dearth of suitably qualified junior and mid-level associates. In these circumstances, historic precedent would indicate continued upward pressure on compensation; further above inflation rises in the order of 3-5% are therefore entirely realistic at the junior to mid-level.

## **Methodology**

The information in The Edwards Gibson London Law Firm's Salary and Bonus Trends is compiled from over 650 relevant candidates registered with Edwards Gibson as well as published and non-published information made available by more than 50 law firms, supplemented with telephone interviews and face-to-face meetings by Edwards Gibson with scores of law firm partners and HR professionals between June 2014 and January 2015. In addition Edwards Gibson used a range of third party statistical sources referenced in the text.

## **About Edwards Gibson**

Based in the City of London, Edwards Gibson is a dedicated Legal Recruitment Consultancy specialising in private practice lateral partner hires, team moves and associate level recruitment.

At Edwards Gibson we pride ourselves on the depth and clarity of information we provide and have an unrivalled knowledge of the markets in which we work. Our team of ex-lawyers and vastly experienced legal recruitment consultants are ideally placed to advise you on all your legal recruitment needs.

## **Further Information**

Clients, candidates and other parties interested in discussing the figures and methodology in more depth are invited to contact us.

Scott Gibson    Director    [scott.gibson@edwardsgibson.com](mailto:scott.gibson@edwardsgibson.com)

+44 (0)20 7153 4903

73 Watling Street, London, EC4M 9BJ

[www.edwardsgibson.com](http://www.edwardsgibson.com)

[www.twitter.com/edwardsgibson](https://www.twitter.com/edwardsgibson)