

barkergilmore

2019



In-House Counsel
COMPENSATION REPORT

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Introduction

BarkerGilmore is pleased to present our 2019 In-House Counsel Compensation Report.

With a record-breaking number of participants, our annual report is unrivaled as the most comprehensive compensation guide for in-house attorneys looking to benchmark their pay with peers, and for legal leaders and human resources departments seeking to optimize law departments and to attract and retain top talent.

This year, in-house counsel reported unprecedented rates of compensation satisfaction, with over 62% of lawyers unlikely to look for a new job and almost 60% believing their compensation is appropriate in comparison to peers. Our search consultants and advisors observe this contentedness in the market daily. With the legal function constantly evolving to include business advisory and leadership roles, especially at the General Counsel and Managing Counsel levels, organizations have made compensation packages more compelling and use counter offers to retain high-performers tempted to leave. In turn, in-house counsel are well-paid, enjoy the law department culture, experience comradery and business challenges, and are bound by golden handcuffs due to rich stock packages and a bull market.

The legal world today has largely become a candidate-driven market where top attorneys have multiple career options. Even law firms are experiencing a higher level of career satisfaction, offering mentoring opportunities, higher salaries, better work-life balance, and providing other benefits to enhance retention. Because of this, the price of top legal talent increased significantly in 2018 and shows signs of continuing through 2019. In a highly competitive market, law departments seeking to fill key positions need to find ways to communicate more compelling reasons for someone to join their organization in addition to offering compensation packages that surpass the current medians.

The new legislation barring employers from questioning potential hires regarding current and past compensation has certainly made an impact. While the regulation was enacted as a much-needed solution to eliminate the gender pay gap, it has also helped individuals paid below the market rate. Perhaps in direct correlation with this rule and a strong market demand for diversity, the rate of pay increase for women has now surpassed that of males. New data encompassing gender pay trends gives reason to believe that the legal industry is taking action to address compensation disparity on the basis of gender.

Our goal is that the 2019 In-House Counsel Compensation Report will help attorneys and employers navigate the complexities surrounding a highly competitive market while striving to keep pace with the nation's socioeconomic employment trends. We hope you find this tool useful and encourage you to read our annual report on Compliance Officer Compensation.

BarkerGilmore acknowledges the importance of compensation breakdown for organizations and their human resources departments to formulate pay strategies, and for lawyers looking to expand their roles or leverage experience for new positions. While this report aims to provide a comprehensive breakdown of legal department compensation structures, we must advise that there are several additional variables that must always be considered when dealing with compensation figures. These variables include an individual's unique experiences, abilities, and interpersonal skills, as well as the organization's financial position and the strength of the local economy.

To present the most valuable and reliable data, BarkerGilmore has combined its expertise in executive legal recruitment and consulting with extensive survey data to highlight a diverse array of in-house counsel compensation. The information in this report is meant to provide general guidelines, and while it delivers extremely detailed information, we urge readers to consider the multitude of factors affecting the results and to focus on overall data trends displayed in the graphs and charts.

Key Compensation Trends

- 1. Annual Salary Increase Rates:** The average annual salary increase rate for all positions across industries increased to 4.4%, up 0.6% from the previous year, with the energy sector experiencing the highest increase rate of 5.4% from 2017 to 2018. Across almost every industry, increase rates rose from 2017 to 2018, except for in the life sciences industry, where increase rates peaked in the 2017 fiscal year. Across a three-year span, most industries saw a dip in increase rates in the 2017 fiscal year, with rates in 2018 raising to match those measured in 2016.
- 2. Peer Comparison:** 41%¹ of all respondents believe their compensation is below or significantly below that of their peers in other organizations, with labor & employment lawyers and insurance reporting the greatest dissatisfaction. Those in the tax, compliance, and intellectual property practice areas express the highest levels of satisfaction with over 25% reporting compensation above or significantly above average.
- 3. Who's on the Market:** 38% of respondents indicate that they would consider a new position within the next year due to compensation issues, 3% less than the previous year. Those in the financial and healthcare industries report the greatest likelihood of a job search in the next year², while those in the life sciences industry are the least likely to engage in a job search³. This year, in-house counsel with practice area concentrations in litigation and insurance are most likely to consider a move for compensation issues⁴, while those who identify with a real estate or energy practice area report least likely to move⁵. This is particularly interesting since real estate tends to be one of the lower paying practice areas.
- 4. Public vs. Private:** Consistent with the last 3 years, 2018 reveals that the compensation of those at publicly traded companies is significantly higher than at private organizations, largely due to the long term incentive (LTI) compensation offered by most public companies. Again, the gap is significant at the General Counsel level, with a 47% disparity in total compensation, but it is less noticeable as position level decreases.

Across all position levels, restricted stock units (RSUs) are by far the most common form of LTI compensation at public companies; over 50% of all LTI recipients report a structure surrounding RSUs. In private organizations, if LTI is offered, the structure is much more variable and may come in the form of stock options or restricted cash.

- 5. Gender Pay Trends:** On average, female in-house counsel earn 85% of what male in-house counsel earn. The disparity is largest at the General Counsel level, with a 17% gap, 5% smaller than the previous year. The Managing Counsel and Senior Counsel levels reveal disparities of 5% and 7% respectively, both lower than the prior year.

Despite the disparity in total compensation, female in-house counsel base pay increased at a rate of 4.5% in 2018, while male in-house counsel base pay increased about 4.3%.

- 6. Industry Highs & Lows:** The following chart summarizes the highest and lowest paying industries for each position (by total compensation):

| Position | Public | Private |
|-------------------------|----------------------------|-----------------------|
| Highest Paying | | |
| <i>General Counsel</i> | Technology | Financial |
| <i>Managing Counsel</i> | Industrial & Manufacturing | Financial |
| <i>Senior Counsel</i> | Life Sciences | Financial |
| Lowest Paying | | |
| <i>General Counsel</i> | Healthcare | Healthcare |
| <i>Managing Counsel</i> | Professional Services | Professional Services |
| <i>Senior Counsel</i> | Consumer | Healthcare |

¹ Consistent with the previous two years

² 42% with a high or very high probability

³ 65% with low or very low probability

⁴ 50% and 48% with a high or very high probability

⁵ 68% and 66% with a low or very low probability

Survey Design

BarkerGilmore conducted an online survey from February to April 2019 to assess in-house counsel compensation trends for the year of 2018. The 19-question online survey was administered to a random sample of in-house counsel at various levels of seniority within different sized public and private organizations across the United States. The following table presents the data categories captured by the survey through a combination of multiple-choice and open-ended questions, answered by over 2,000 individuals from an assortment of industries and practice areas.

Table 1: Key Survey Terms

| Term | Description |
|--|--|
| <i>Position</i> | General Counsel – the lead in-house lawyer in an organization Managing Counsel – an in-house lawyer with at least one direct report, who is not the lead lawyer in an organization Senior Counsel – an in-house lawyer who is an individual contributor |
| <i>Number of Direct Reports</i> | Total number of lawyers managed |
| <i>JD Year</i> | Year in which Juris Doctor was earned |
| <i>Base Salary</i> | Current base salary in US Dollars for the 2018 fiscal year |
| <i>Cash Bonus</i> | Most recent cash bonus in US Dollars for the 2018 fiscal year |
| <i>Long Term Incentive (LTI)</i> | Value of most recent long term incentive award in US Dollars for the 2018 fiscal year |
| <i>Stock Options</i> | LTI compensation by which an employer awards an employee the option to buy company stock at a discounted or fixed price |
| <i>Restricted Stock Units (RSUs)</i> | LTI compensation in the form of company stock, usually with a vesting plan and distribution scheduled at specific career milestones |
| <i>Restricted Cash</i> | LTI compensation in the form of money held separate from cash and equivalents listed on the employer’s balance sheets/financial statements |
| <i>Performance Shares</i> | LTI compensation awarded by an employer in the form of company stock, only if certain company-wide performance criteria are met |
| <i>Total Compensation</i> | The sum of the current base salary, most recent cash bonus, and estimated long term incentive value in US Dollars for the 2018 fiscal year |
| <i>Salary Increase Rate</i> | Percent increase in base salary from 2017 to 2018 |
| <i>Practice Area</i> | Field of specialization within an organization |
| <i>Industry</i> | Commercial segment in which the organization is situated |
| <i>Organization Revenue</i> | Annual organization revenue in US Dollars for the 2018 fiscal year |
| <i>Organization Type</i> | Determination of organization status: publicly-traded, private, or non-profit |
| <i>Location Type</i> | Type of location in which the organization is situated: major metropolitan/large city area, mid-sized metropolitan/city area, or small city/rural area |
| <i>Comparison of Compensation to Peers</i> | How respondents feel their compensation compares to that of their practice-area peers at other organizations |
| <i>Likelihood of Compensation-Motivated Job Search</i> | Likelihood respondents will be looking for a new position over the next year due to compensation issues |

Data Methods & Analysis

Measure of Central Tendency

This report utilizes median as the main method of standardization for the sample statistics collected from the 2019 Compensation Survey. The median can be described as the middle or central value in a given sequence of numbers. In an even set of numbers, the median is calculated as the average of the two middle numbers. This survey report applies median calculation for all numeric data reported, unless otherwise specified.

Missing Data

While our survey data are nearly complete, we acknowledge the data that are missing due to non-response or misinterpretation. Some respondents opted out of answering a specific question, while others provided unsuitable answers to questions. Since very few cases of missing data occurred, we chose to employ list-wise deletion on a question-by-question basis to eliminate incomplete or inappropriate responses.

Position Breakdown

This report contains data from three distinct classes of in-house counsel⁶: General Counsel, Managing Counsel, and Senior Counsel. These three classes are largely determined by seniority, experience, and management level, causing compensation to vary across position. Therefore, the greater part of this report is dedicated to the analysis of compensation trends for each individual position.

Prominent Determinants of Compensation

After extensive statistical analysis of the survey data, organization type, revenue, and industry, in addition to gender, appear to impact compensation significantly for all three positions. JD year and practice area influence compensation for both Managing Counsel and Senior Counsel, but not for General Counsel. The data visualizations presented in the ensuing report reflect this breakdown of determinants.

Data Validation

To validate the data used for this report, we compared the median survey data to the median compensation information entered into BarkerGilmore's contact database from January 2018 through December 2018. In a comparison of base salary across positions, the survey data and database data are compatible with less than 3% margin of error, meaning the survey data display a high level of validity.

Disclaimer of Approximation

The data displayed in this report were collected from a wide variety of in-house counsel whose compensation figures are highly dependent on a multitude of different intervening variables. For the purpose of simple interpretation, the complex statistical relationships that resulted from these variables are not included in this report. Thus, the proceeding trends should be considered approximations of compensation data that are ultimately contingent upon numerous influences taken together.

Confidentiality

BarkerGilmore takes protecting the privacy of those who participated in our compensation survey seriously, since confidentiality is the cornerstone of our business. The information provided by survey respondents remains anonymous and will not be shared with anyone.

⁶ Refer to Table 1 for a detailed description of the three position classifications for in-house counsel.

Survey Response Breakdown

**This section displays response rate and general characteristics of the survey respondents*

Response Breakdown by Position

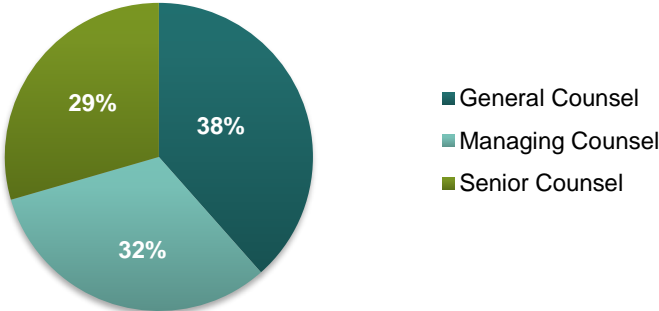


Figure 1.1 Response Distribution by Position, %

Response Breakdown by Organization Type

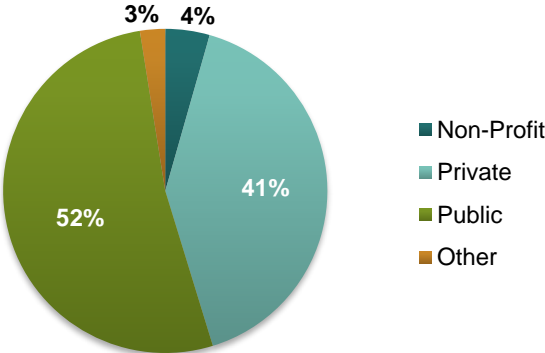


Figure 1.2 Response Distribution by Organization Type, %

Response Breakdown by Location Type

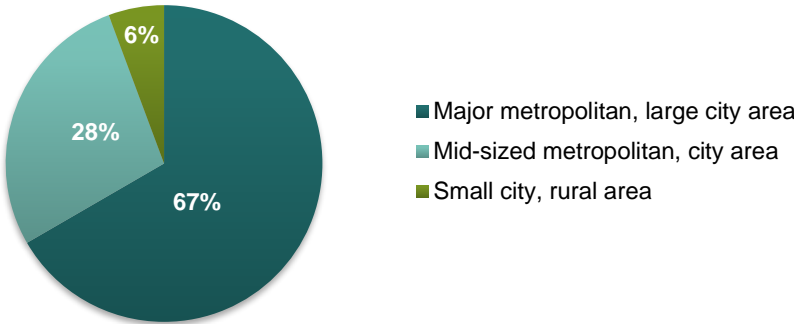


Figure 1.3 Response Distribution by Location Type, %

Response Breakdown by Organization Revenue

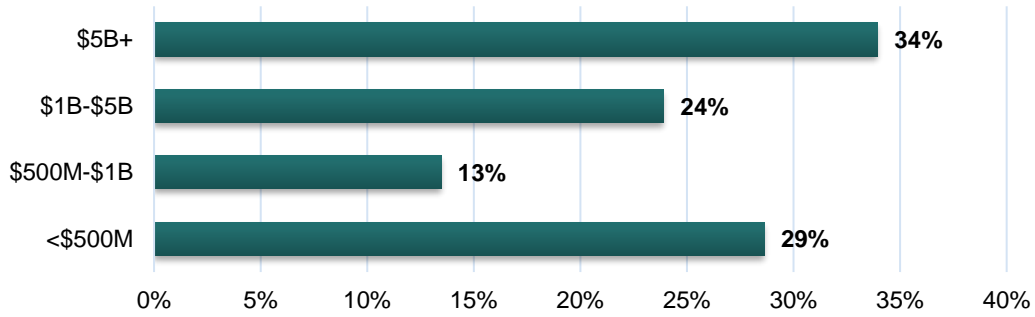


Figure 1.4 Response Distribution by Organization Revenue, %

Response Breakdown by Industry

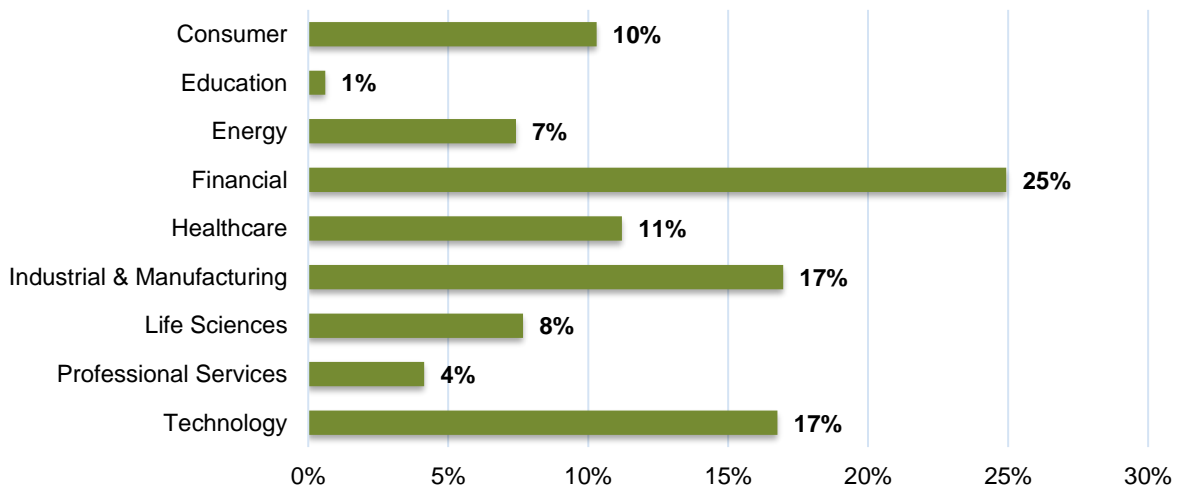


Figure 1.5 Response Distribution by Industry, %

Response Breakdown by Gender

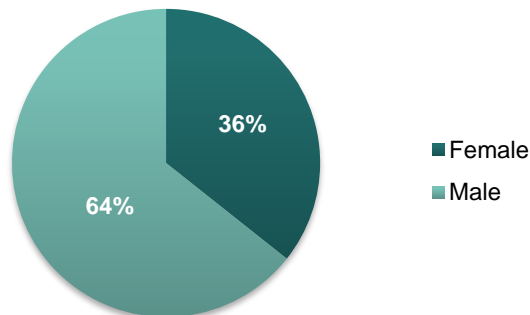


Figure 1.6 Response Distribution by Gender, %



Collective In-House

COMPENSATION TRENDS

Salary Increase by Industry 2016 - 2018

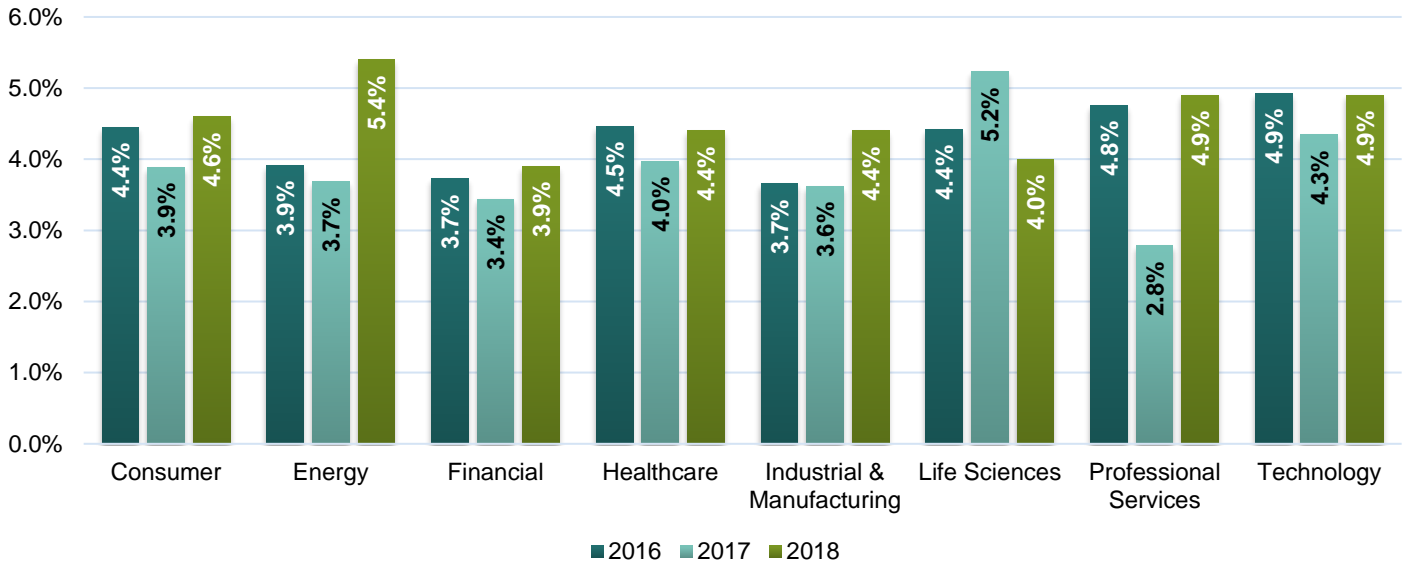


Figure 2.1 Salary Increase Rate by Industry, all positions

*Survey Question: What was your percentage increase in base salary from 2017 to 2018?

*Includes data from compensation surveys conducted in 2016 and 2017

Compensation Relative to Peers by Practice Area

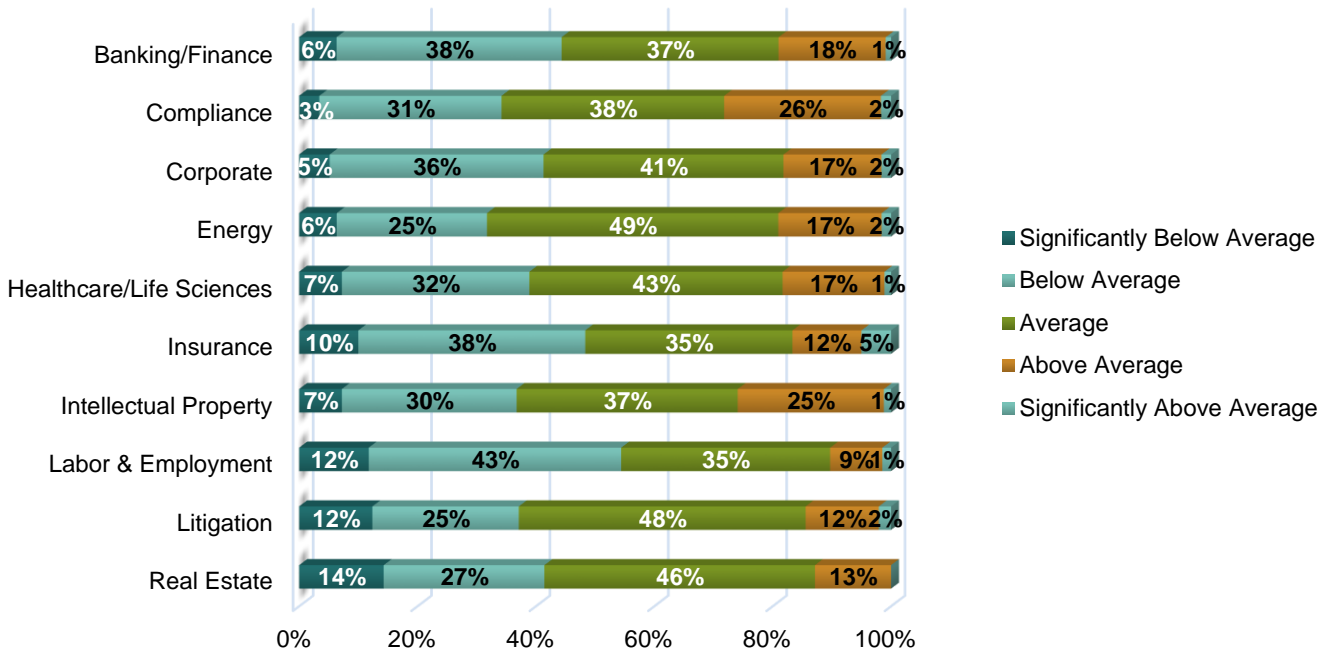


Figure 2.2 Compensation Relative to Peers by Practice Area, all positions

*Survey Question: Relative to your peers at other organizations, do you feel that your 2018 compensation was: Significantly Below Average, Below Average, Average, Above Average, or Significantly Above Average?

Likelihood of Compensation-Motivated Job Search by Industry

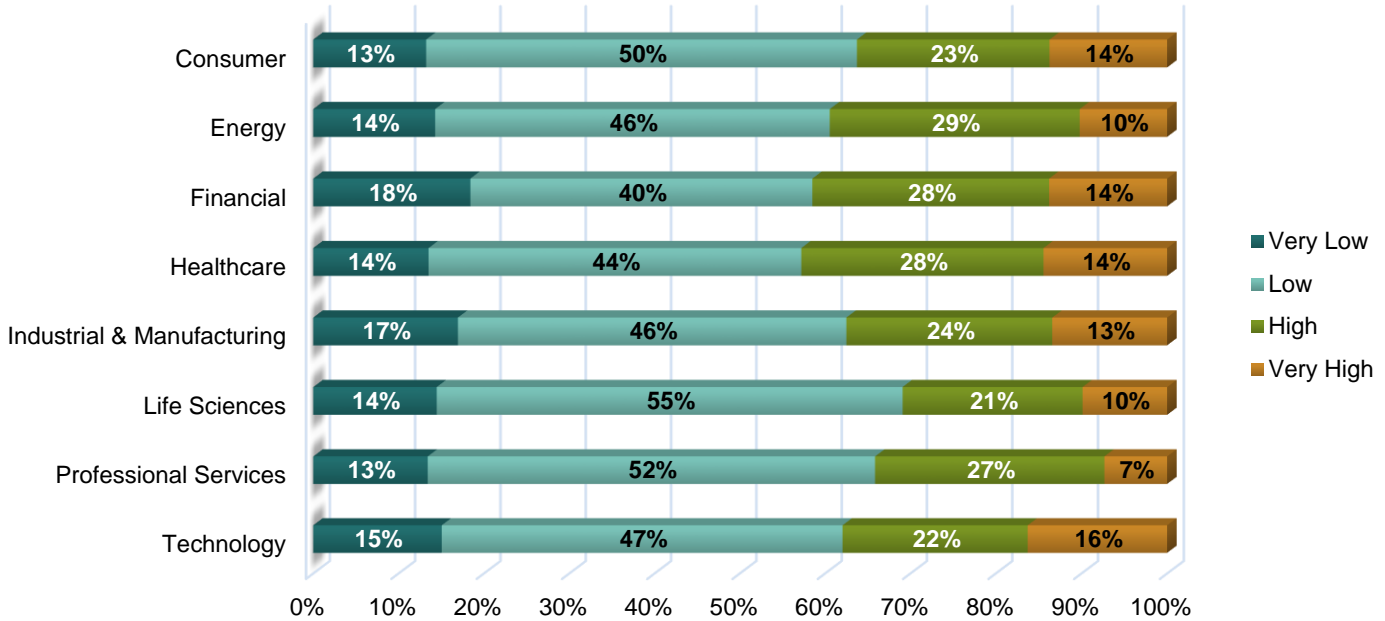


Figure 2.3 Likelihood of Compensation-Motivated Job Search within the Next Year by Industry, all positions
 *Survey Question: What is the probability that you will be looking for a new position in the next year due to compensation issues?

Likelihood of Compensation-Motivated Job Search by Practice Area

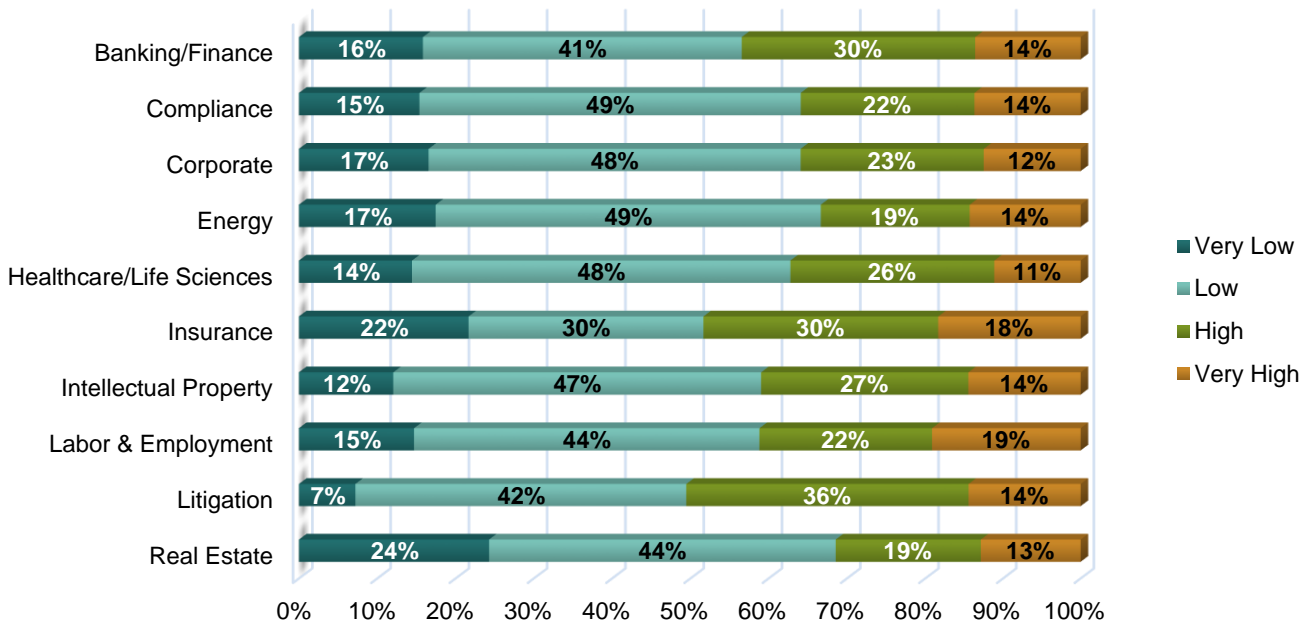


Figure 2.4 Likelihood of Compensation-Motivated Job Search within the Next Year by Practice Area, all positions
 *Survey Question: What is the probability that you will be looking for a new position in the next year due to compensation issues?

Total Compensation by Location Type Public

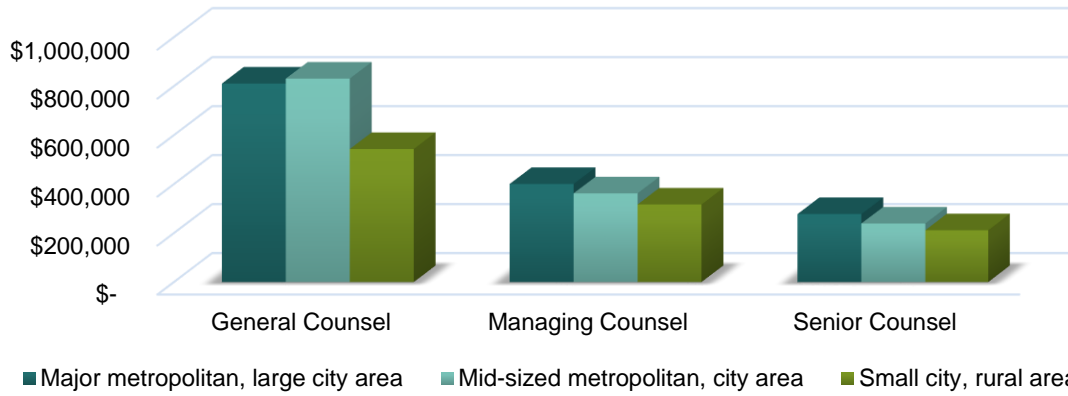


Figure 2.5 Total Compensation Breakdown by Organization Location Type for Public Companies, all positions

Total Compensation by Location Type Private

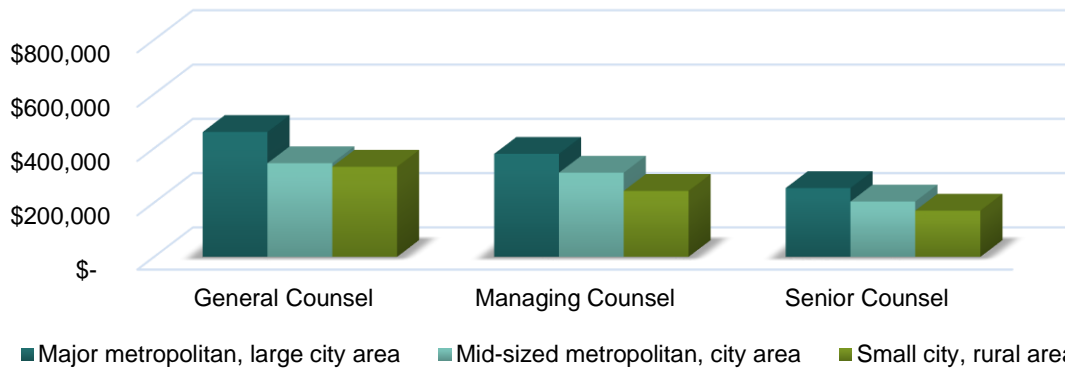


Figure 2.6 Total Compensation Breakdown by Organization Location Type for Private Companies, all positions

Compensation Breakdown by Gender

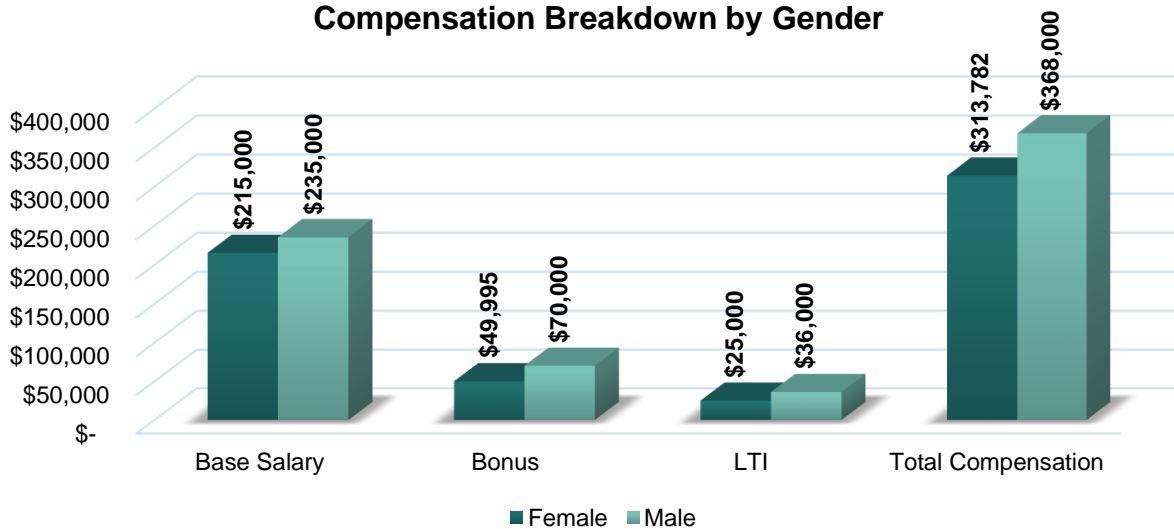


Figure 2.7 Compensation Breakdown by Gender, median across all positions



General Counsel

COMPENSATION TRENDS

Compensation by Organization Revenue General Counsel

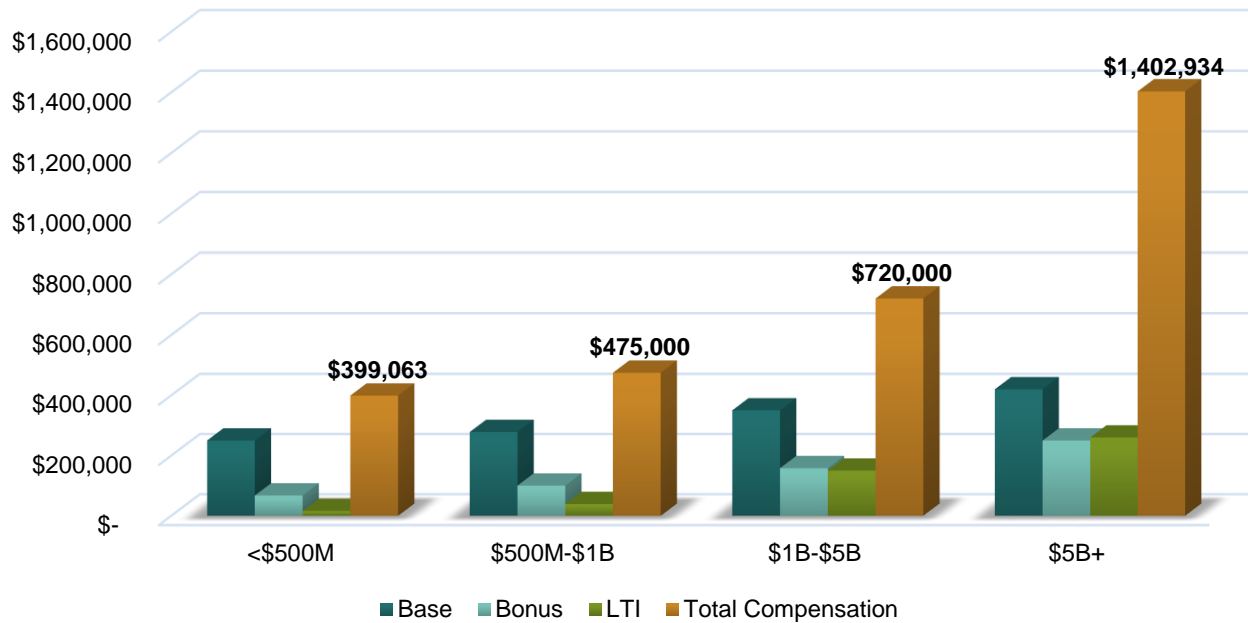


Figure 3.1 Compensation by Organization Revenue, General Counsel
 *Median Total Compensation does not equal the sum of the other median values of compensation
 *Includes General Counsel from both public and private organizations

Compensation by Industry General Counsel

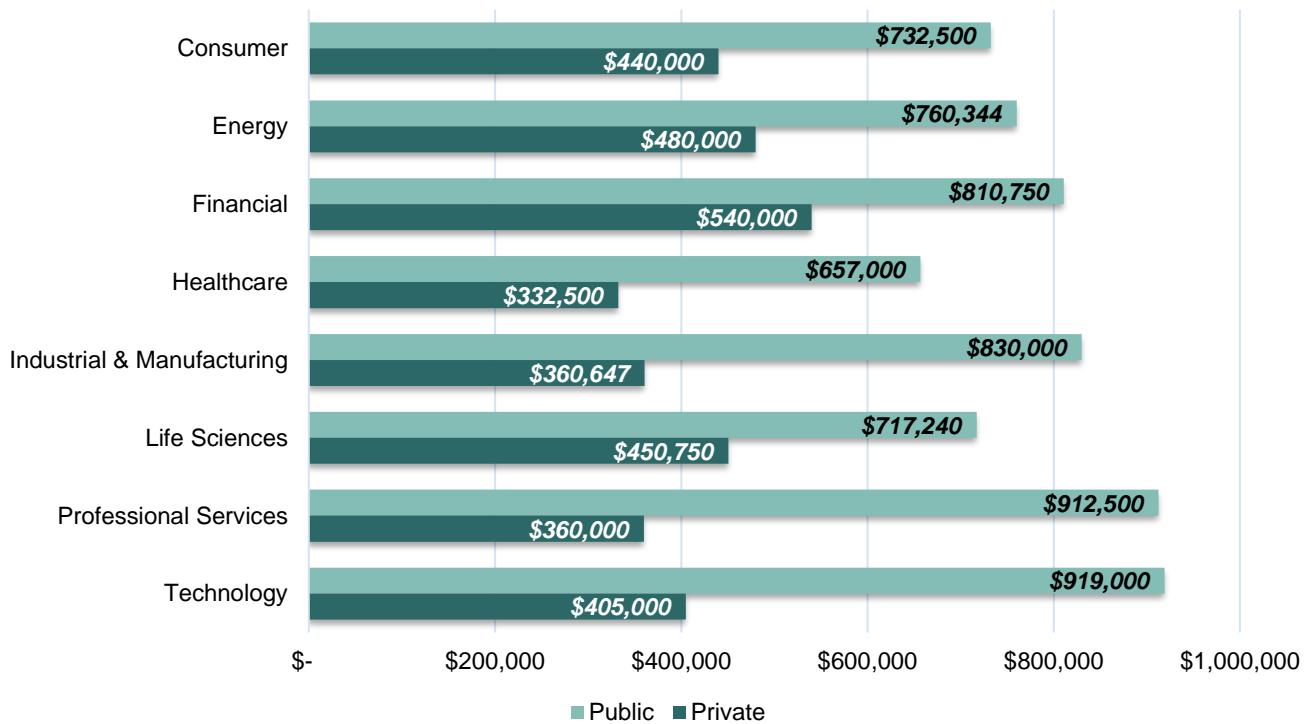
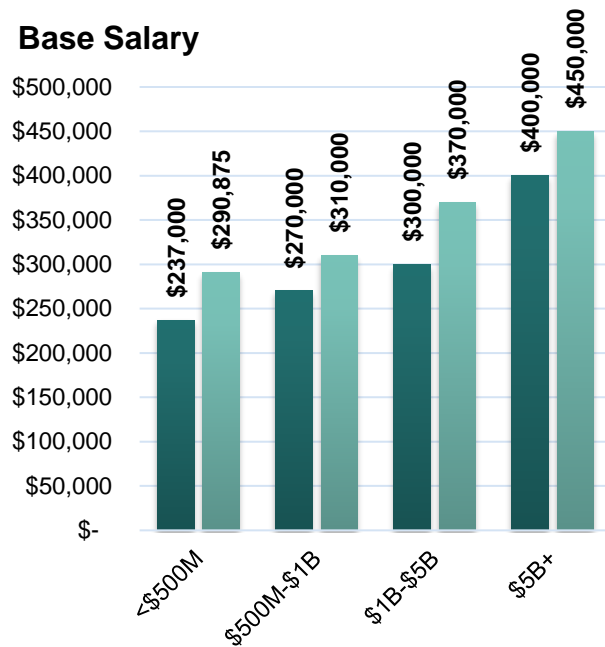


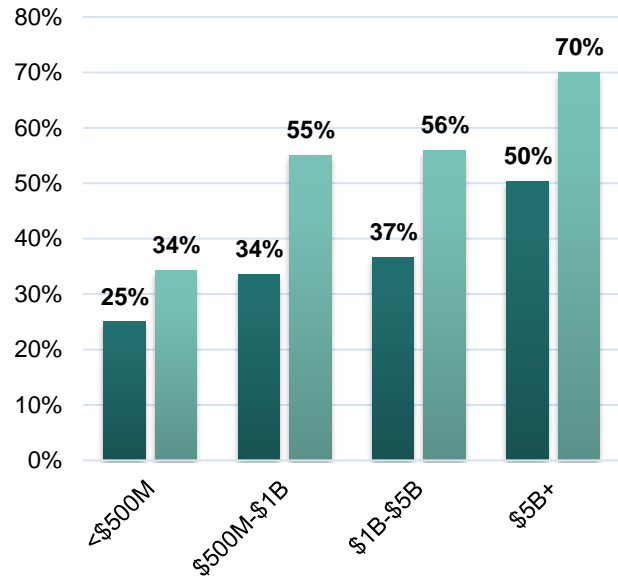
Figure 3.2 Total Compensation by Industry, General Counsel
 *Includes all organization revenue sizes

Compensation Breakdown by Organization Revenue General Counsel

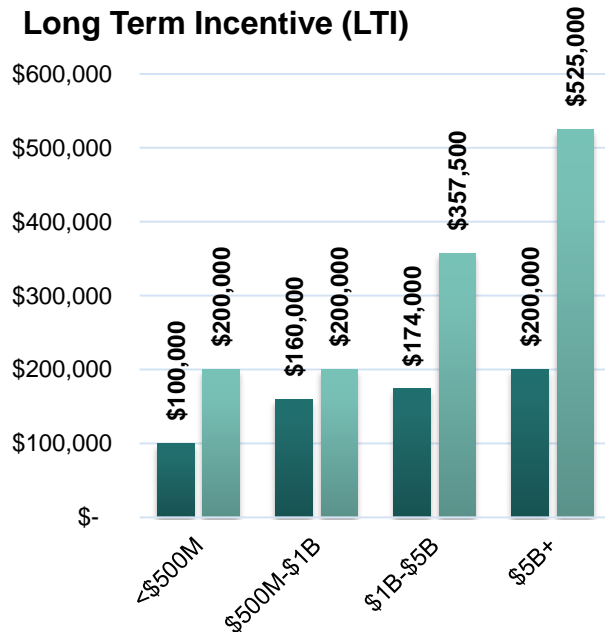
Base Salary



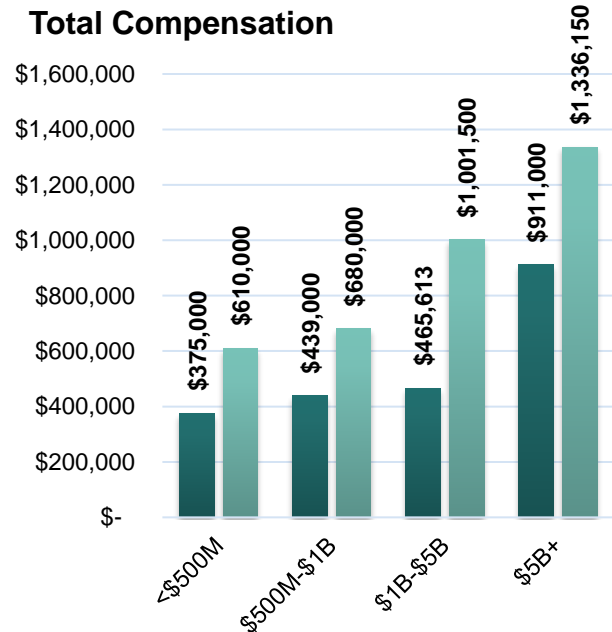
Bonus (% of Base)



Long Term Incentive (LTI)



Total Compensation



■ Private ■ Public

Figure 3.3 Compensation Breakdown by Organization Revenue, General Counsel

**Median Total Compensation does not equal the sum of the other median values of compensation*

Long Term Incentive Breakdown Percent of Public Company General Counsel

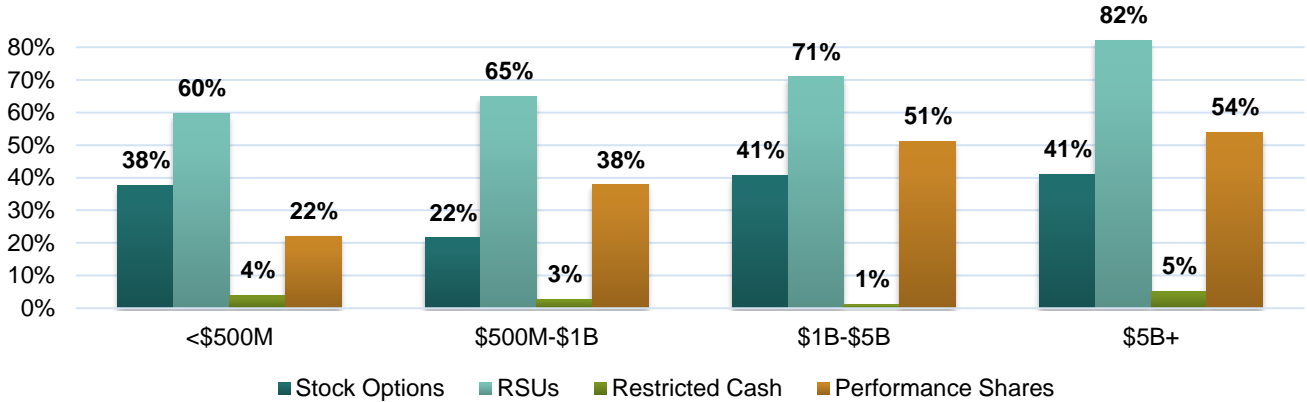


Figure 3.4 Long Term Incentive Breakdown, Public Company General Counsel

*Survey Question: If equity/long term incentive was a part of your total compensation package in 2018, please indicate the structure of the award [select all that apply].

Long Term Incentive Breakdown Percent of Private Company General Counsel

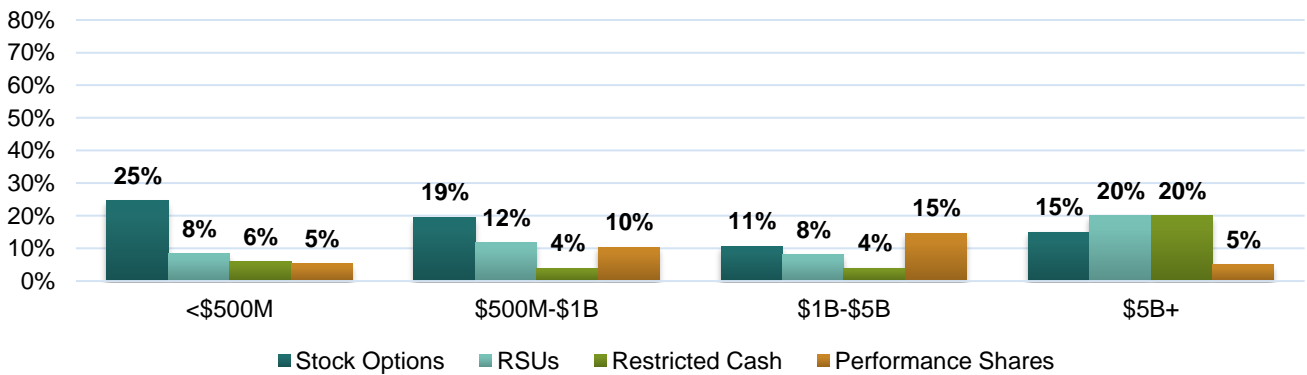


Figure 3.5 Long Term Incentive Breakdown, Private Company General Counsel

*Survey Question: If equity/long term incentive was a part of your total compensation package in 2018, please indicate the structure of the award [select all that apply].

Compensation Breakdown by Gender General Counsel

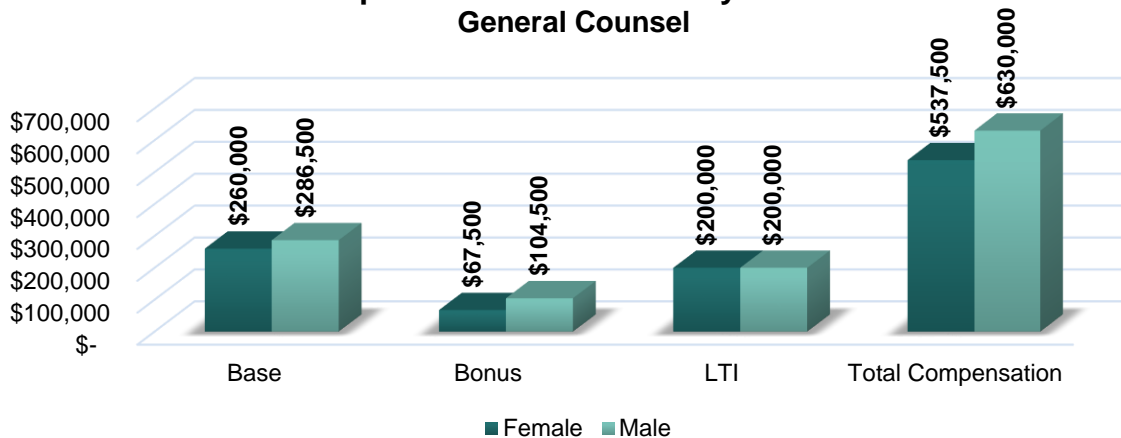


Figure 3.6 Compensation Breakdown by Gender, General Counsel

*Median Total Compensation does not equal the sum of the other median values of compensation

*Includes General Counsel from both public and private organizations across all revenue sizes



Managing Counsel

COMPENSATION TRENDS

Compensation by Organization Revenue Managing Counsel

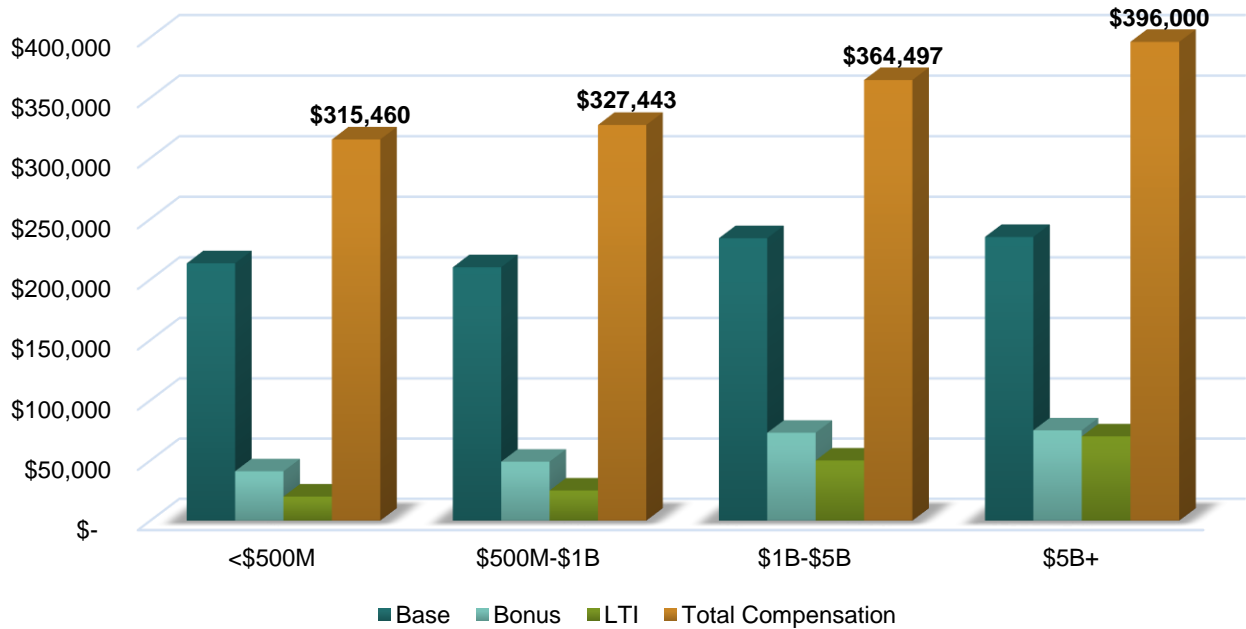


Figure 4.1 Compensation by Organization Revenue, Managing Counsel
**Median Total Compensation does not equal the sum of the other median values of compensation*
**Includes Managing Counsel from both public and private organizations*

Total Compensation by Industry Managing Counsel

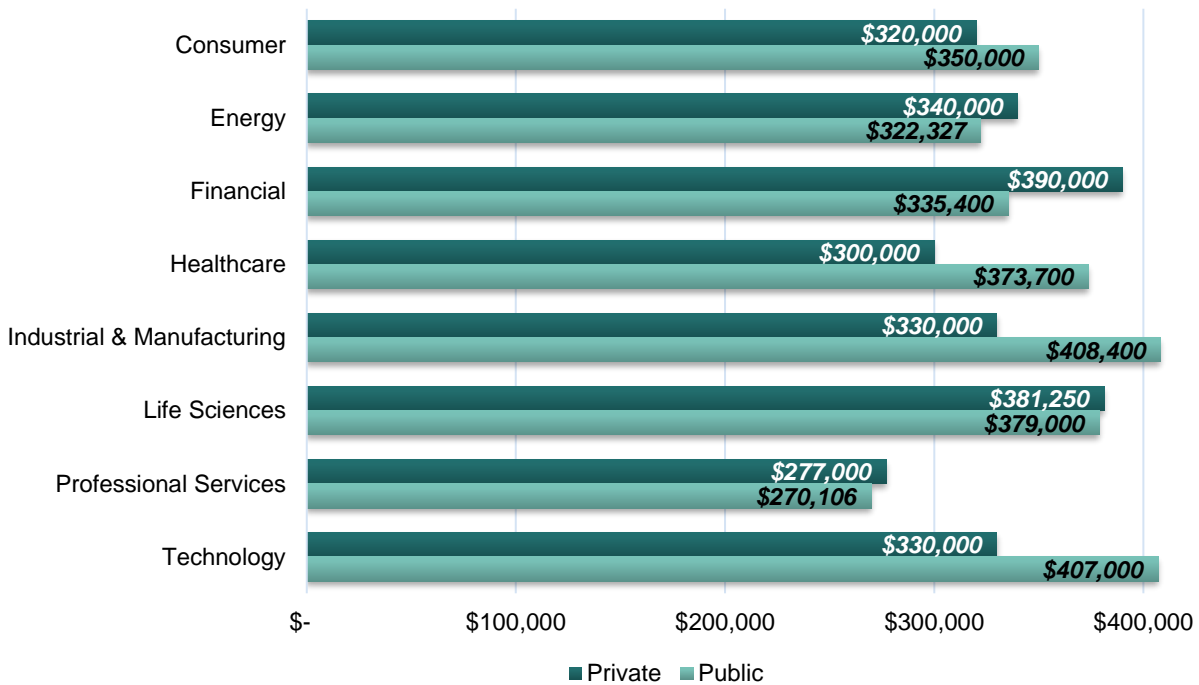


Figure 4.2 Total Compensation by Industry, Managing Counsel
**Includes all organization revenue sizes*

Compensation Breakdown by Organization Revenue Managing Counsel

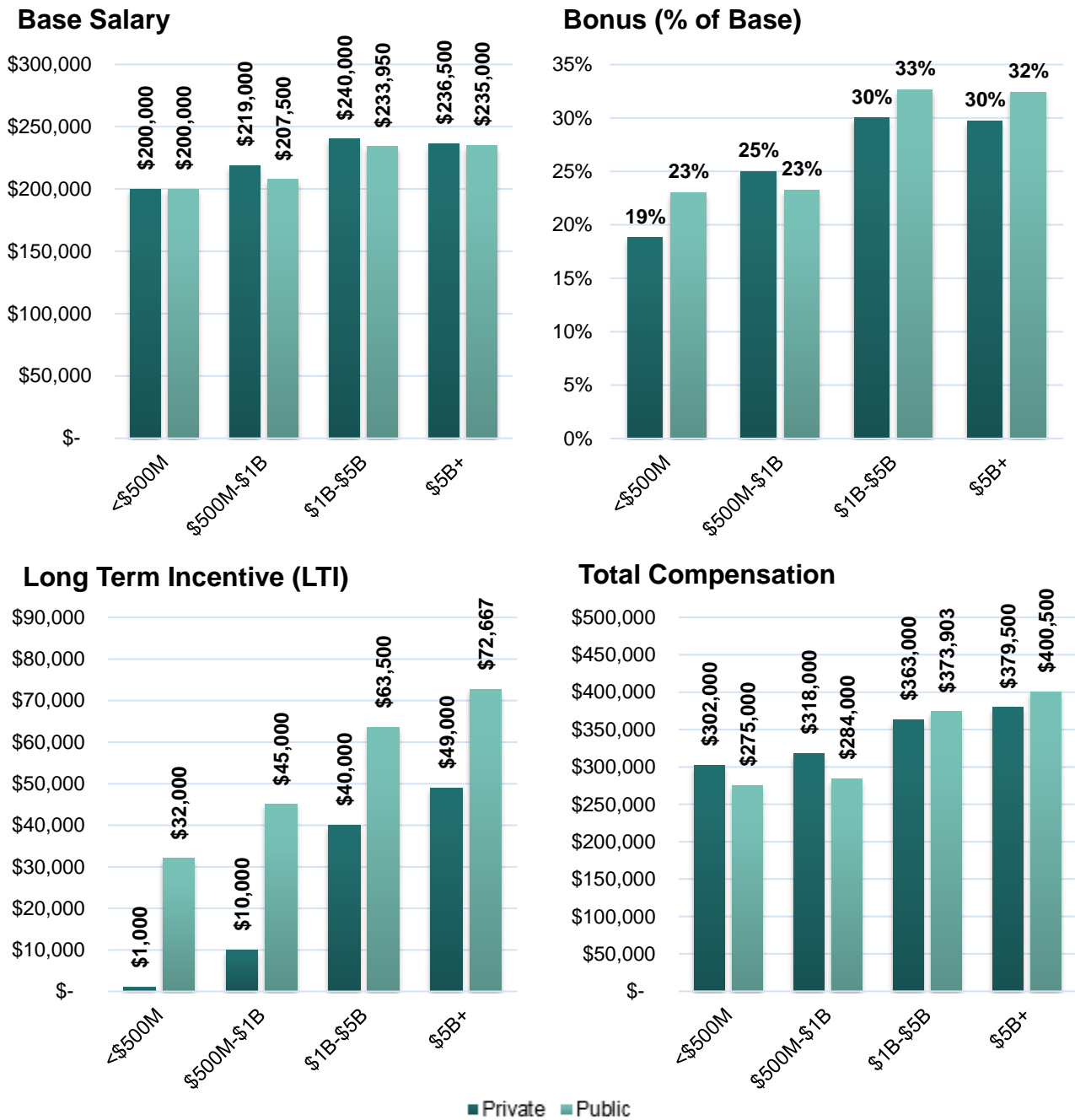


Figure 4.3 Compensation Breakdown by Organization Revenue, Managing Counsel

**Median Total Compensation does not equal the sum of the other median values of compensation*

Long Term Incentive Breakdown Percent of Public Company Managing Counsel

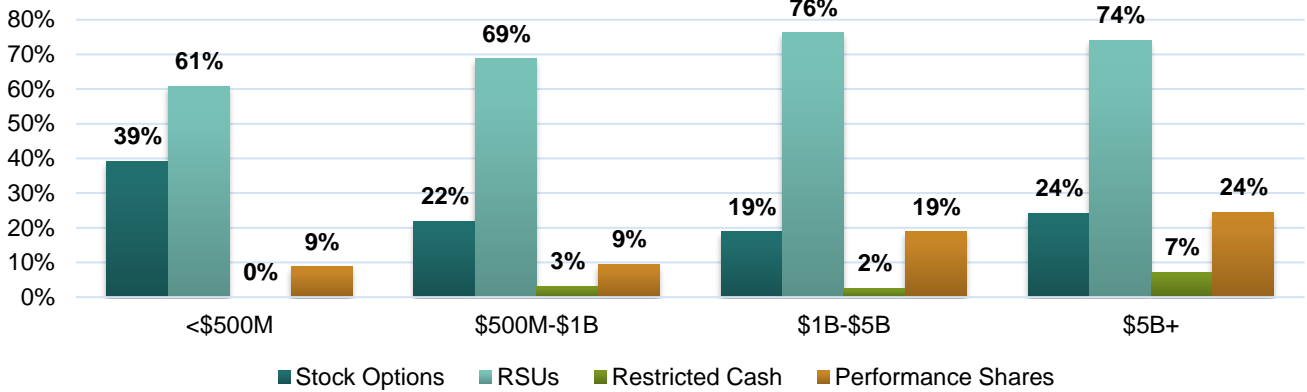


Figure 4.4 Long Term Incentive Breakdown, Public Company Managing Counsel

*Survey Question: If equity/long term incentive was a part of your total compensation package in 2018, please indicate the structure of the award [select all that apply].

Long Term Incentive Breakdown Percent of Private Company Managing Counsel

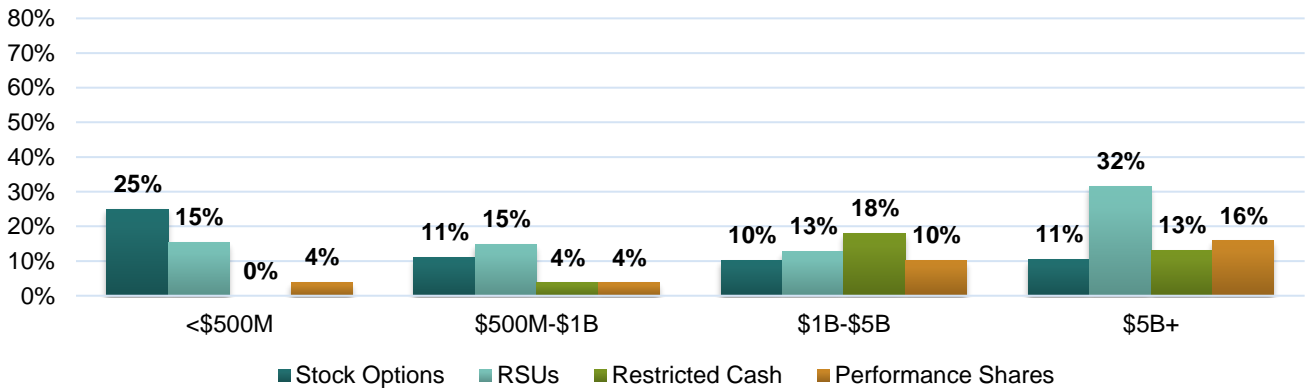


Figure 4.5 Long Term Incentive Breakdown, Private Company Managing Counsel

*Survey Question: If equity/long term incentive was a part of your total compensation package in 2018, please indicate the structure of the award [select all that apply].

Compensation Breakdown by Gender Managing Counsel

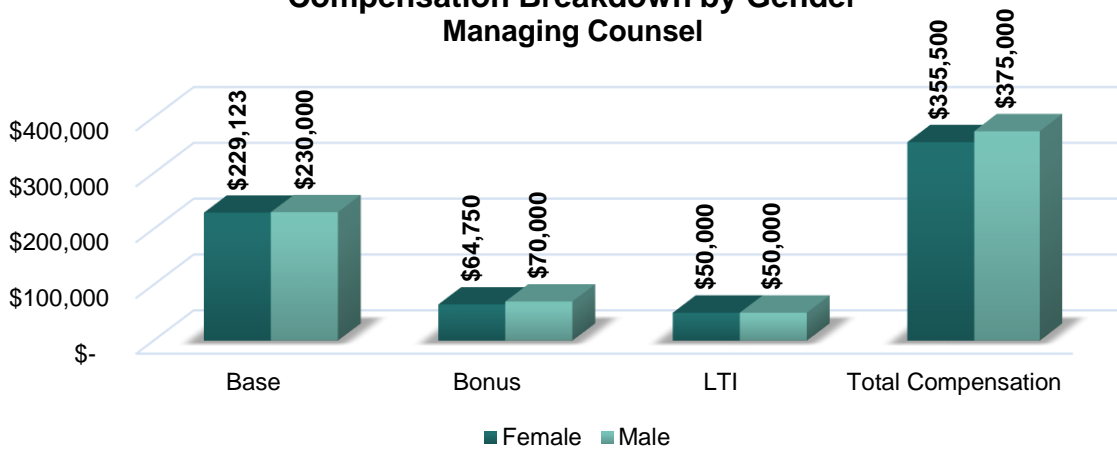


Figure 4.6 Compensation Breakdown by Gender, Managing Counsel

*Median Total Compensation does not equal the sum of the other median values of compensation

*Includes Managing Counsel from both public and private organizations across all revenue sizes

Total Compensation by JD Year Managing Counsel

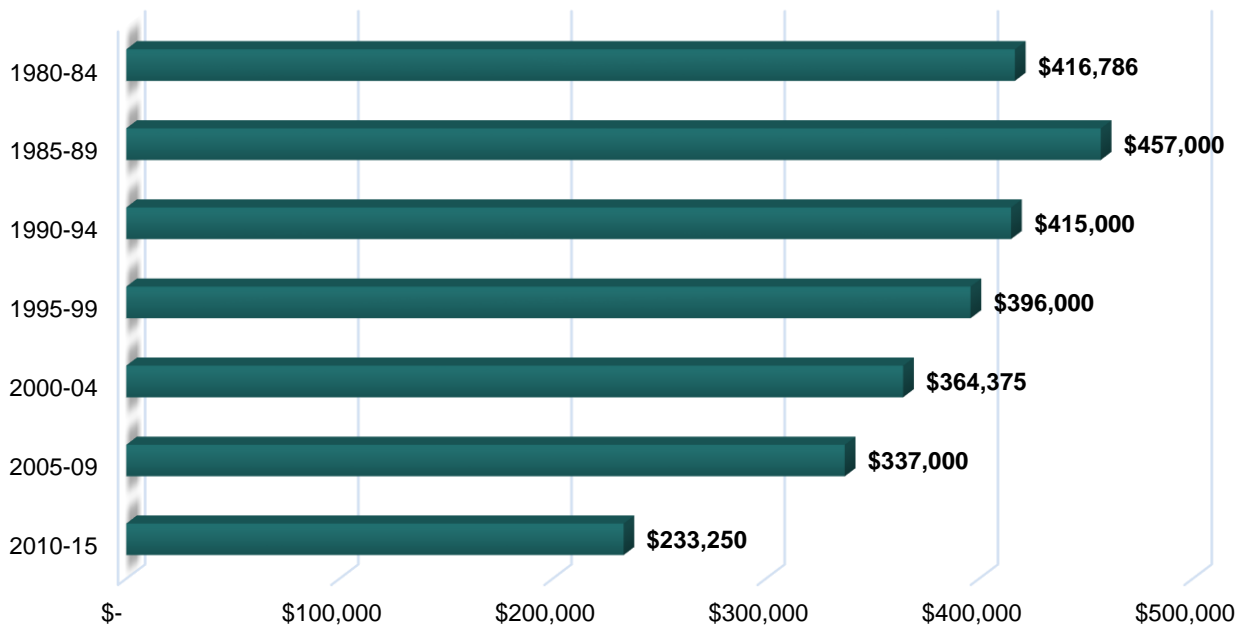


Figure 4.7 Total Compensation by JD Year, Managing Counsel
**Includes Managing Counsel from both public and private organizations across all revenue sizes*

Total Compensation by Practice Area Managing Counsel

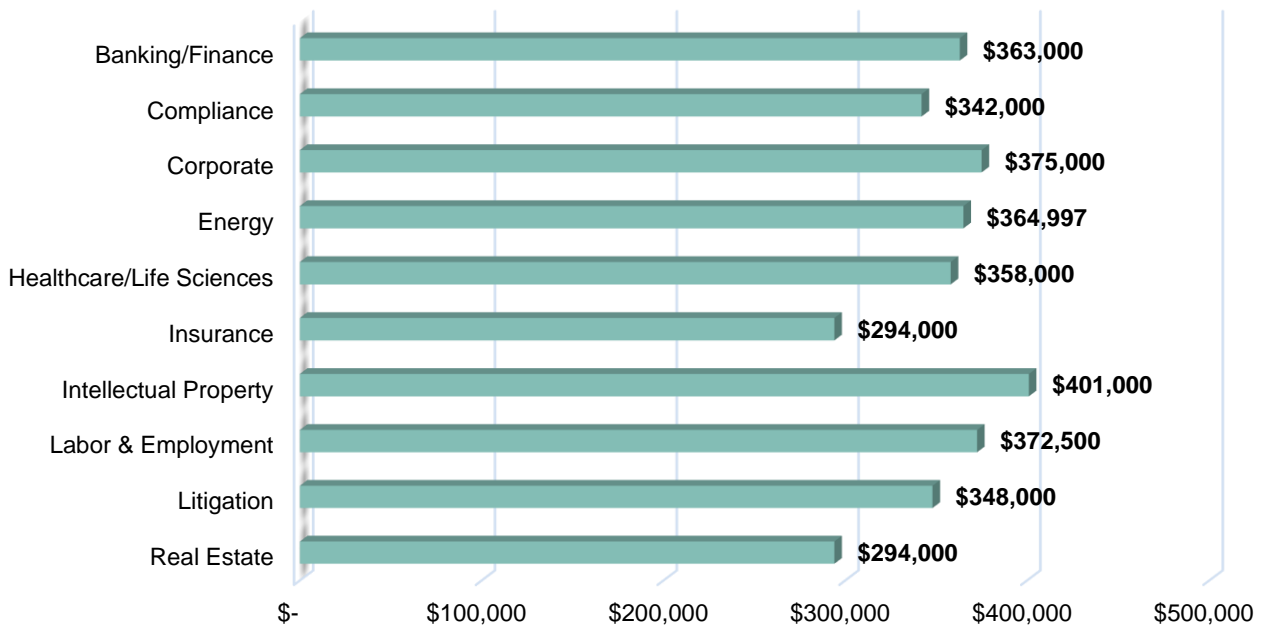


Figure 4.8 Total Compensation by Practice Area, Managing Counsel
**Includes Managing Counsel from both public and private organizations across all revenue sizes*



Senior Counsel

COMPENSATION TRENDS

Compensation by Organization Revenue Senior Counsel

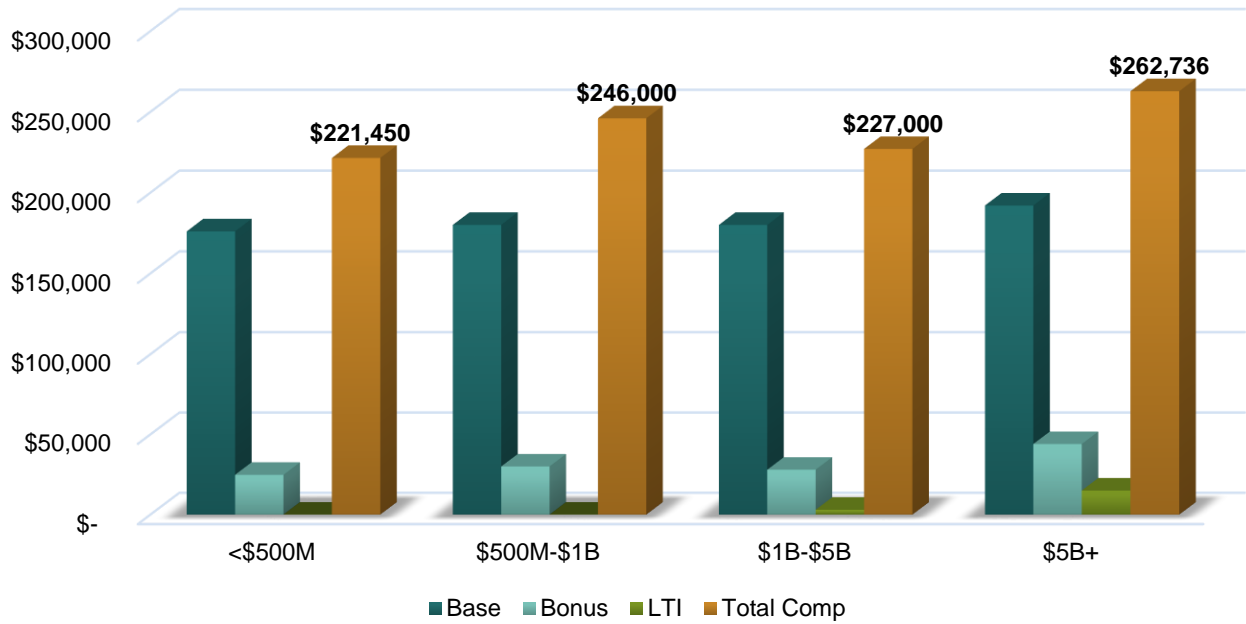


Figure 5.1 Compensation by Organization Revenue, Senior Counsel
 *Median Total Compensation does not equal the sum of the other median values of compensation
 *Includes Senior Counsel from both public and private organizations

Total Compensation by Industry Senior Counsel

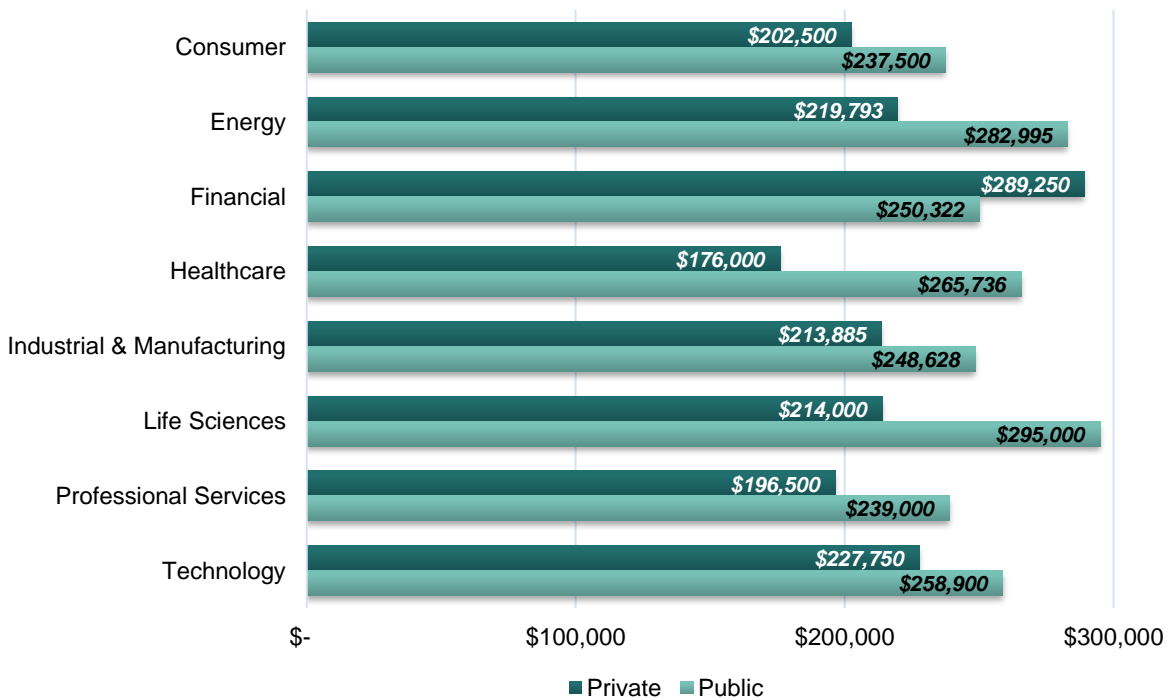


Figure 5.2 Total Compensation by Industry, Senior Counsel
 *Includes all organization revenue sizes

Compensation Breakdown by Organization Revenue Senior Counsel

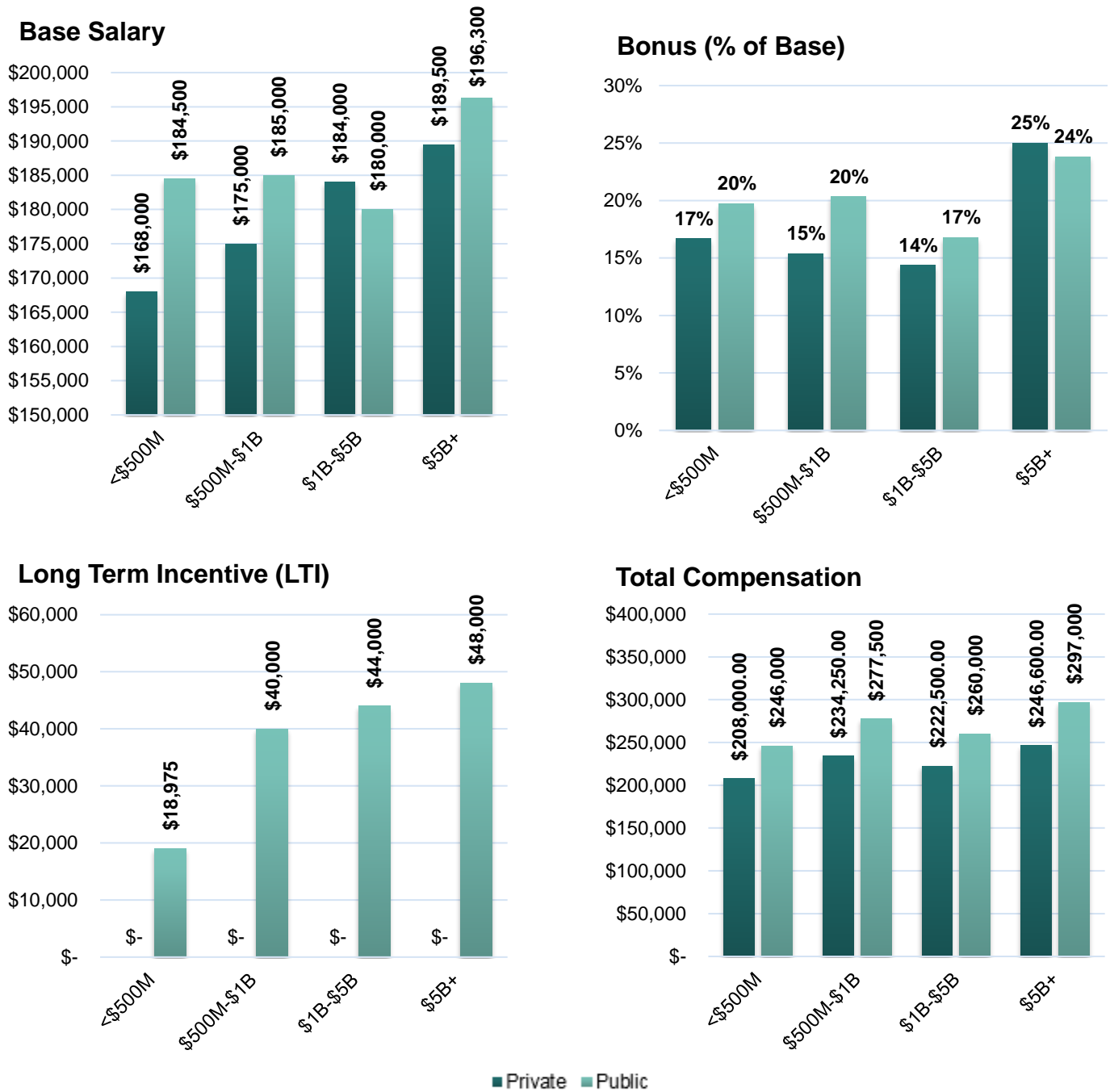


Figure 5.3 Compensation Breakdown by Organization Revenue, Senior Counsel

**Median Total Compensation does not equal the sum of the other median values of compensation*

Long Term Incentive Breakdown Percent of Public Company Senior Counsel

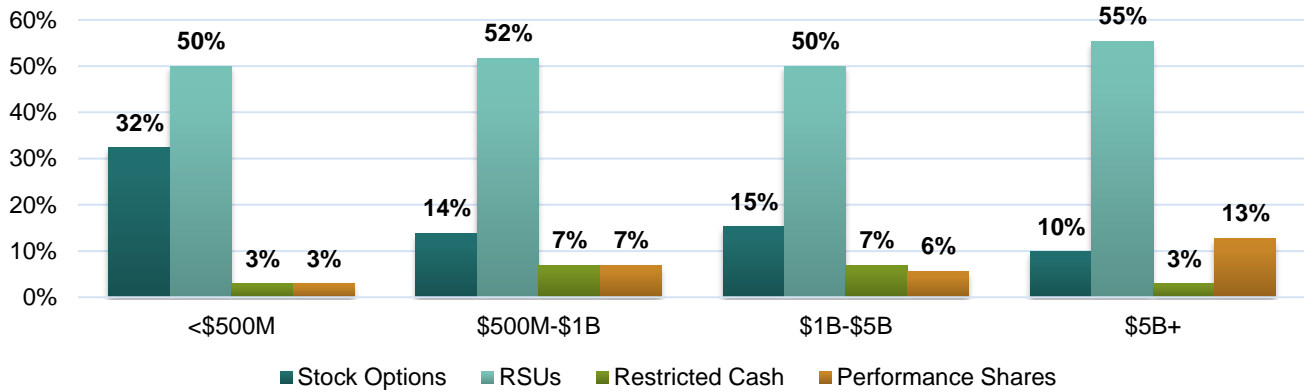


Figure 5.4 Long Term Incentive Breakdown, Public Company Senior Counsel

*Survey Question: If equity/long term incentive was a part of your total compensation package in 2018, please indicate the structure of the award [select all that apply].

Long Term Incentive Breakdown Percent of Private Company Senior Counsel

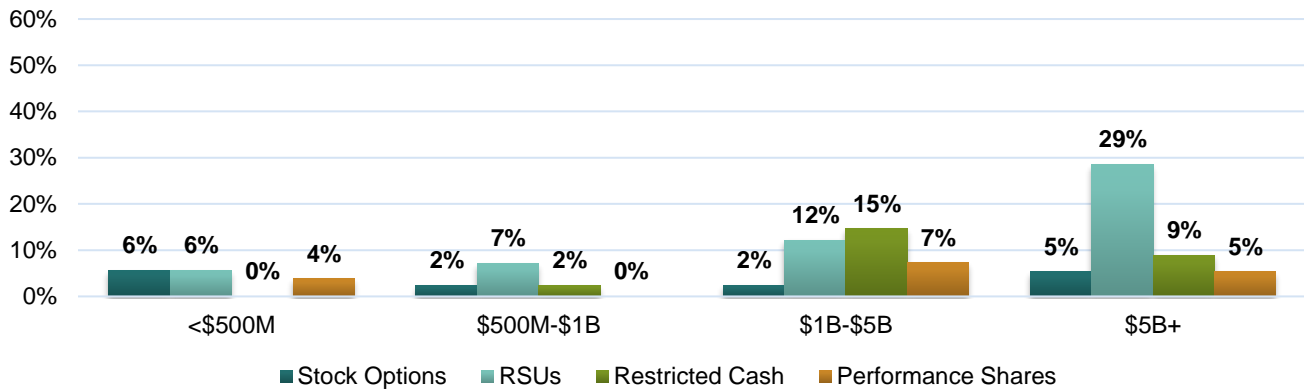


Figure 5.5 Long Term Incentive Breakdown, Private Company Senior Counsel

*Survey Question: If equity/long term incentive was a part of your total compensation package in 2018, please indicate the structure of the award [select all that apply].

Compensation Breakdown by Gender Senior Counsel

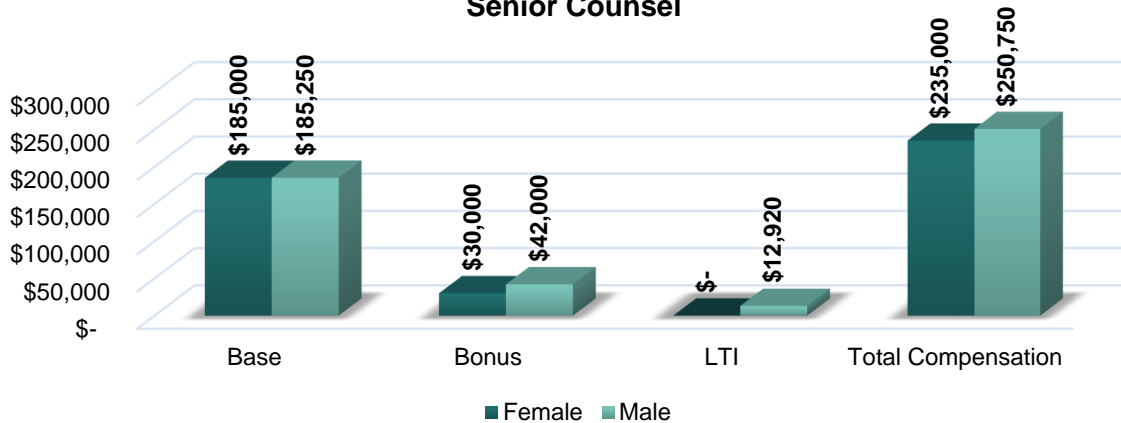


Figure 5.6 Compensation Breakdown by Gender, Senior Counsel

*Median Total Compensation does not equal the sum of the other median values of compensation

*Includes Senior Counsel from both public and private organizations across all revenue sizes

Total Compensation by JD Year Senior Counsel

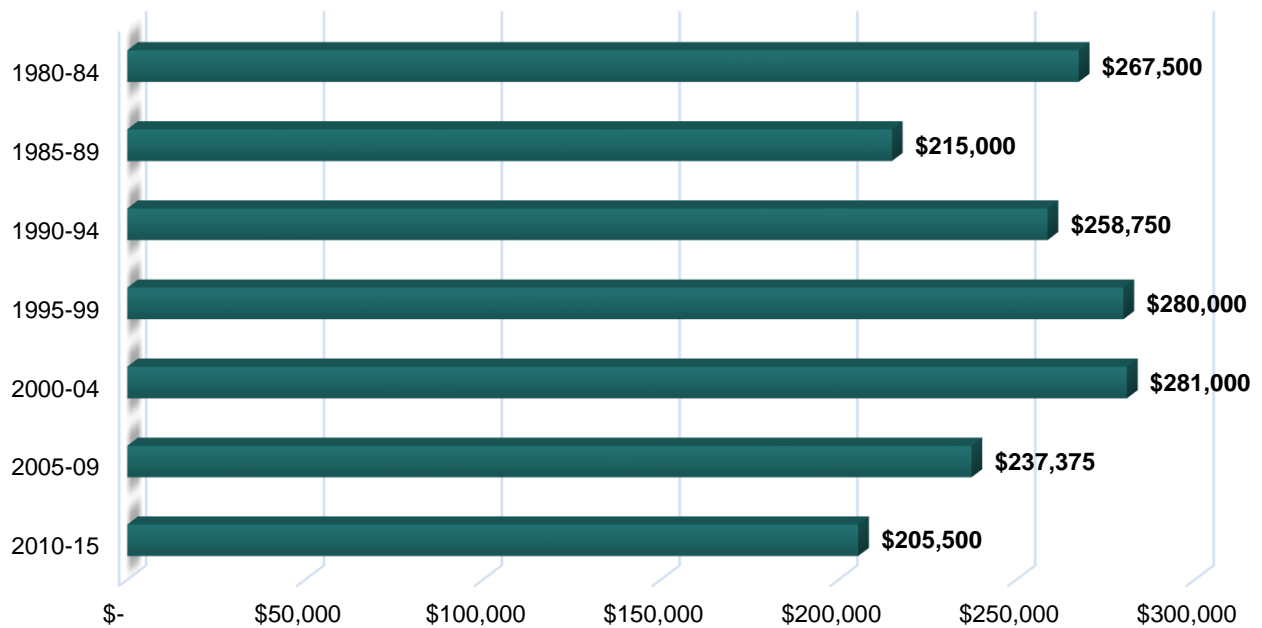


Figure 5.7 Total Compensation by JD Year, Senior Counsel
**Includes Senior Counsel from both public and private organizations across all revenue sizes*

Total Compensation by Practice Area Senior Counsel

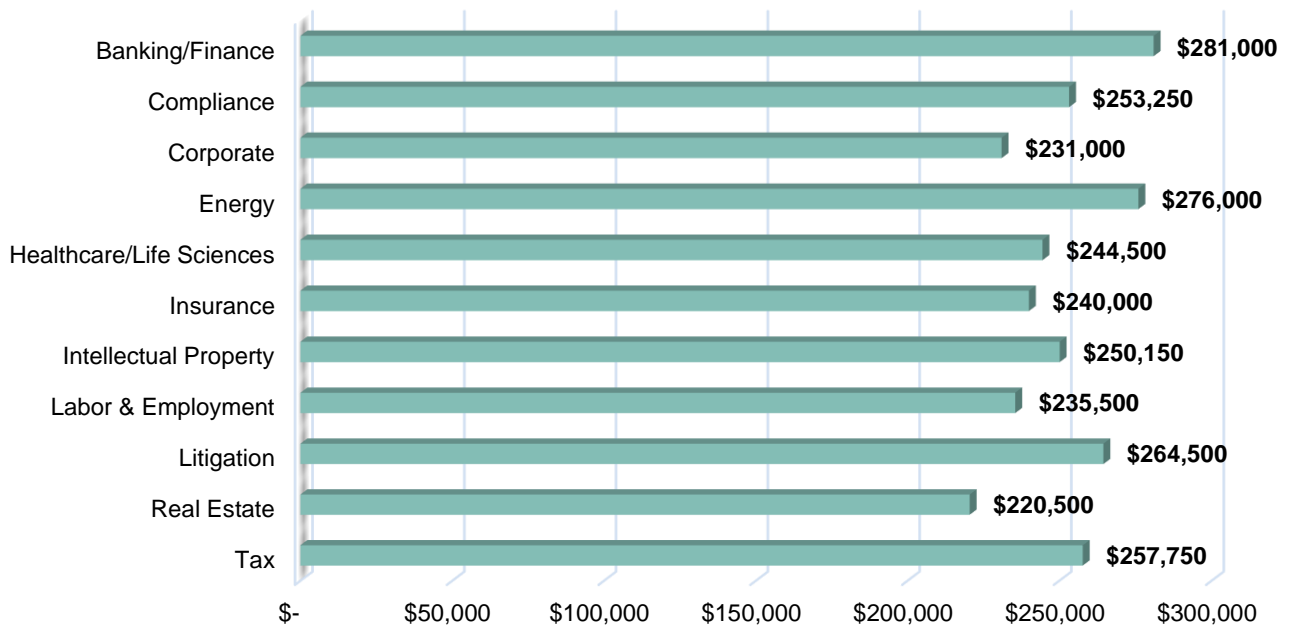


Figure 5.8 Total Compensation by Practice Area, Senior Counsel
**Includes Senior Counsel from both public and private organizations across all revenue sizes*

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