

How to compensate an in-house lawyer

A guide to the labyrinthine world of corporate counsel remuneration.

At The Counsel Network, we constantly receive calls from corporate counsel trying to figure out if they're being paid enough. As the duties and pressures on in-house lawyers continue to rise, and as accountability becomes a common watchword in both bottom-line and liability terms, corporate counsel know they must be worth a lot. The difficulty is finding out how much.

Every situation is different, of course, and there is no one-size-fits-all formula for determining fair compensation. But we can offer five factors that affect compensation for in-house lawyers, along with ten elements of a personal compensation audit to consider when figuring out your market value.

Five factors that affect compensation:

1. Persistent myths. You know the ones. "Going in-house is a lifestyle choice for the 9-to-5 hours. In-house lawyers couldn't cut it in private practice. Corporate counsel don't have the same demands as private-practice lawyers." Any push for fair compensation will have to account for and demolish these stereotypes.

2. Nationwide standards. Like other corporate salary matters, compensation for in-house lawyers is often set on a national basis. This distorts the figures and produces ranges and surveys that are of little

localized value. Compensation has to be looked at on a regional basis.

3. The economic roller-coaster. Corporate counsel compensation is often tied to economic conditions. The glitzy compensation packages of 2000, for instance — stock options and exotic perks — disappeared in 2001 when the dot-com bubble burst. Since 2005, however, the buzz has returned, and we've seen increases in base salaries, incentive payouts and options for senior lawyers that should continue going forward for everyone.

4. The absence of metrics. Legal departments are not designed to be profit centers, so measuring the value of in-house counsel is not easy. Lowering external counsel costs budgets can assist, but it can be hard to place a value on giving immediate practical advice when an executive walks into the department with a question.

5. The private bar's impact. Soft economies produce a glut of lawyers wanting to move in-house; a hot economy reduces supply and produces a sellers' market, with a corresponding push on compensation. In-house lawyers have to share the good times and ride out the bad times with the company.

In addition, consider these ten elements of a personal compensation audit:

i) The company's size, revenues, industry

sector, and headquarters.

ii) The size of the legal department (lawyers and support staff).

iii) The reporting structure: where are you in the chain of command?

iv) The corporate culture: pace, focus and lifestyle.

v) The nature of the work: day-to-day routine or deal-focused? Travel or stay-at-home?

vi) The bonus factors: options, benefits, pension, holidays/flex days?

vii) Your specialties (*e.g.*, intellectual property expertise is hot and valuable)

viii) Your individual aptitude. How much are you worth to the company?

ix) Internal pay equity: compensation of comparable colleagues within the company but outside the legal department

x) The market: how similarly situated lawyers (as determined above) are compensated.

Once you've completed this personal audit, you'll have a better sense of your own value within the company. You'll be in a better position to calculate the base compensation you deserve and how that compares to lawyers within other corporations or organizations. ■

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