

In-House Compensation Remains Flat As Companies Continue Cost-Cutting Measures

By: Vanessa Vidal

Over the last 18 months, the press has well documented the various efforts by corporate law departments to cut cost, including reducing outside counsel expenses. According to a Hildebrandt survey in-house counsels have also been impacted by these measures, namely in terms of their compensation. Lauren Chung, director of the Hildebrandt survey, told the [ABA Journal](#) that while in-house counsels at Fortune 500 Companies might not necessarily be making less “They’re not getting the increases that they had been enjoying for the past several years. Every year they were almost guaranteed an increase. This year we see very clearly that is not the norm anymore.” In short, in-house compensation remains flat as companies continue cost-cutting measures.

Existing In-House Counsels vs. Newly Hired In-House Counsels

If existing in-house counsels at Fortune 500 Companies are not enjoying increases in their base salaries, newly hired in-house counsels are seeing a significant dip in base salaries. It’s a supply and demand market, and the majority of law departments hiring in-house counsels are offering packages that are notably lower than those they were offering to in-house counsels just a year ago.

An existing counsel pondering whether he/she will get a 3-8% percent increase on a compensation package of over \$200,000, is quite different from a newly hired counsel with the same level of experience and practice area looking at a compensation package of \$150,000 or less. If cost-cutting measures have not had a significant impact on the overall compensation package of existing in-house counsels, they have had a disparate impact on the compensation package of newly hired in-house counsels. It’s a tale of two cities between new hires and existing counsels.

Cash Compensation and Company Performance

According to the ABA article, when Hildebrandt asked companies responding to the 2009 survey to report total cash compensation numbers for March 2008 and 2009, they reported a year-over-year increase of 3 percent. Last year’s survey reported a year-over-year increase of 8 percent in total cash compensation.

The decrease in cash compensation may not only be related to company cost-cutting measures, but also to company performance. It is a well-known fact that in-house bonuses are tied intimately to personal as well as company performance. A dip in overall cash compensation could most likely be attributed to a decrease in overall profit or lack thereof as a result of the recession, rather than cost cutting measures.

Fortune 500 In-House Counsels vs. Others

If the average total cash compensation—base salary plus cash bonuses — for in-house lawyers in March 2009 was \$229,000 — those figures are not reflective of the overall in-house legal market. Those figures are representative of senior counsels, with typically 10 years or more of practice experience, working at companies with a minimum of \$9 billion in revenues with at least 30 lawyers, 18,000 employees and \$28.0 million in total legal spending – in other words, primarily Fortune 500 Companies. That’s a sliver of the in-house legal market. Median cash compensation for most in-house senior counsels, typically falls between the \$100,000 and \$150,000 mark.

Here are the other findings that The Intelligencer and Hildebrandt reported from their Fortune 500 survey:

- The average total cash compensation—base salary plus cash bonuses—was \$229,000 for in-house lawyers in March 2009.
- The average total cash compensation—base salary plus cash bonuses—was \$236,000 for in-house lawyers in March 2008 survey.
- 18% of the respondents anticipated a decrease in the number of in-house lawyers in their departments.
- 30% of the respondents anticipated an increase in the number of in-house lawyers in their departments. The numbers reflect a cost-reduction strategy of bringing more work inside that had been done by outside counsel, according to the press release.
- Nearly a 1/3rd of the respondents expect to use fewer outside firms in the United States. Only 8 percent expect to increase the number of law firms they use.
- 46% of the responding companies anticipate that alternative billing arrangements will make up more than 11 percent of their outside legal budget, compared to 33 percent last year.
- Total legal spending increased by 5 percent in the United States, the same rate of increase as the year before.