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Introduction

BarkerGilmore is pleased to present our 2016 In-House Counsel Compensation Report.

A company’s law department is critical to its success, especially as work traditionally performed by outside counsel continues to move internally. These in-house counsel must be on par or better than attorneys in the top law firms, and companies must foster an environment that attracts this type of superior talent. It takes great leadership, cultural alignment, and a competitive compensation package to attract and retain the best talent.

Compensation for lawyers is currently in a state of flux. Across the board, large law firms are increasing Associate compensation for the first time in ten years. This, in turn, pressures companies to add or increase in-house counsel compensation in the form of salaries, annual cash bonuses and long-term incentive packages. Moreover, the rise of the General Counsel from legal adviser to strategic adviser is triggering General Counsel compensation to reach new heights to match that of other members of the executive management team.

BarkerGilmore recognizes that knowledge of compensation breakdown is essential for companies and their Human Resources departments to formulate pay strategies. It is also an extremely useful tool for lawyers looking to expand their role or leverage their experience for a new position. While this report aims to provide a comprehensive breakdown of legal department compensation structures, we must advise that there are several additional variables to consider. These include an individual’s experience, abilities, and interpersonal skills, as well as the company’s financial position and the strength of the local economy.

In order to present the most valuable and reliable data, our firm has combined its expertise in executive legal recruitment with survey data to highlight a diverse array of in-house counsel compensation specifics. The information in this report is meant to provide general guidelines, and while it delivers extremely detailed information, we urge readers to focus on the overall data trends displayed by the graphs and figures.
Key Compensation Trends

The following report contains a thorough breakdown of in-house counsel compensation data across a wide range of industries, practice areas, and company sizes. After analyzing the data as a whole, we found the following five takeaways most intriguing and beneficial when assessing compensation trends:

1. Energy, healthcare, and finance are the three highest-paying industries across all position levels.

2. The average annual salary increase rate for all position levels across industries is 4.2%, with the energy industry displaying the lowest average increase of 2.4%.

3. There is a direct, positive correlation between total compensation and company revenue across all position levels, industries, and practice areas, with larger companies offering greater compensation.

4. Overall, 44% of respondents believe their compensation is below or significantly below that of their peers, with litigators and those in the services industry reporting the greatest dissatisfaction.

5. 40% of respondents indicated that they would consider a new position over the next year due to compensation issues, with those in the energy industry reporting the greatest likelihood to be open to new employment.
Survey Design

BarkerGilmore conducted an online survey from February 2016 to May 2016 to assess in-house counsel compensation trends from 2015 to 2016. The 12-question survey was sent to a random sample of in-house counsel at various levels of seniority, within differently sized public and private companies, who are practicing within the United States. The following table presents the information captured by the survey through a combination of closed- and open-ended questions answered by 1,073 individuals.

Table 1: Key Survey Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position</td>
<td>General Counsel – the lead in-house lawyer in a company</td>
</tr>
<tr>
<td></td>
<td>Managing Counsel – an in-house lawyer with at least one direct report, who is not the lead lawyer in a company</td>
</tr>
<tr>
<td></td>
<td>Senior Counsel – an in-house lawyer who is an individual contributor</td>
</tr>
<tr>
<td>Number of Direct Reports</td>
<td>Total number of lawyers managed</td>
</tr>
<tr>
<td>JD Year</td>
<td>Year in which Juris Doctor was earned</td>
</tr>
<tr>
<td>Base Salary</td>
<td>Current base salary</td>
</tr>
<tr>
<td>Cash Bonus</td>
<td>Most recent cash bonus</td>
</tr>
<tr>
<td>Equity Award</td>
<td>Value of most recent equity award</td>
</tr>
<tr>
<td>Total Compensation</td>
<td>The sum of the current base salary, most recent cash bonus, and equity award</td>
</tr>
<tr>
<td>Salary Increase Rate</td>
<td>Percent increase in base salary in the past 12 months</td>
</tr>
<tr>
<td>Practice Area</td>
<td>Field of specialization within a company</td>
</tr>
<tr>
<td>Industry</td>
<td>Commercial segment in which the company is situated</td>
</tr>
<tr>
<td>Company Revenue</td>
<td>Annual company revenue</td>
</tr>
<tr>
<td>Comparison of Compensation to Peers</td>
<td>How respondents feel their compensation compares to that of their peers</td>
</tr>
<tr>
<td>Chance of Job Search within the Next Year</td>
<td>Likelihood respondents will be looking for a new position over the next year due to compensation issues</td>
</tr>
</tbody>
</table>
Data Methods & Analysis

- **Measure of Central Tendency**
  This survey utilizes mean as the main method of standardization for the sample statistics collected from the 2016 Compensation Survey. The mean is the average of any given set of observations, calculated by dividing the sum of multiple quantities by the total number of quantities included. This survey report applies mean calculation for all numeric data reported.

We justify application of the mean as the measure of central tendency through exclusion of extreme outliers\(^1\) in the survey data to avoid distortion. With an evenly-distributed, diverse sample containing many different types of in-house counsel across industries and practice areas, the mean, void of outliers, appears to capture the survey data more accurately than other measures. Median, another typical measure of central tendency for compensation data, provides the midpoint data in a consecutively-ordered data list; we believe that for this diversified data set, median would provide an ambiguous, under-estimated depiction of the true central tendency of the data.

- **Outliers**
  An outlier is defined as a data observation that is far outside of the expected range of values in a dataset. We adhere to typical statistical practice to identify outliers as any data point that is more than 1.5 interquartile ranges below the first quartile or above the third quartile. Due to the potential for outliers to distort mean calculation, it is crucial to exclude them from the data set. For maximum accuracy in our analysis, extreme outliers have been removed for all mean calculations in this report.

- **Missing Data**
  While our survey data is nearly complete, we acknowledge the data that is 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 counsel\(^2\): 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.

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\(^1\) Refer to the Outliers section for more detailed information.

\(^2\) Refer to Table 1 for a detailed description of the three position classifications for in-house counsel.
Prominent Determinants of Compensation

After extensive statistical analysis of the survey data, company revenue and industry 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. Therefore, the following analysis breaks down compensation by company revenue and industry for all three positions and highlights JD year and practice area breakdown for Managing Counsel and Senior Counsel.

Data Validation

To validate the data used for this report, we compared the mean survey data to the mean compensation information entered into BarkerGilmore’s contact database from January 2015 to May 2016. The BarkerGilmore database information contains 497 data points from 217 General Counsel, 78 Managing Counsel, and 202 Senior Counsel. In a comparison of base salary for Managing Counsel and Senior Counsel, the survey data and database data are compatible with differences of $9,000 and $12,000 respectively. In a comparison of total compensation for General Counsel, the survey data and database data are compatible with a difference of only $2,000. These minute differences are not statistically significantly different from zero, meaning that the survey data displays 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 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 preceding trends should be considered approximations of compensation data that are ultimately contingent upon numerous influences taken together.

Privacy Statement

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 has not and will not be shared with anyone.
Survey Response Breakdown
*This section displays response rates and characteristics of the survey respondents.

Figure 1.1 Total Response Breakdown by Position

Response Rate by Company Revenue

Figure 1.2 Response Rate by Company Revenue
Collective In-House

Compensation Trends
Figure 2.1 Salary Increase Rate by Industry, all positions

*Survey Question: How much did your salary increase in the past 12 months?
Figure 2.2 Compensation Relative to Peers by Practice Area, all positions

*Survey Question: Relative to your peers, do you feel that your 2015 compensation was: Significantly Below Average, Below Average, Average, Above Average, Significantly Above Average?
Figure 2.3 Compensation Relative to Peers by Industry, all positions

*Survey Question: Relative to your peers, do you feel that your 2015 compensation was: Significant Below Average, Below Average, Average, Above Average, Significantly Above Average?
Figure 2.4 Likelihood of Job Search in Next Year by Industry, all positions

*Survey Question: What are the chances that in the next year you will be looking for a new position due to compensation issues?
General Counsel

Compensation Trends
Figure 3.1 Compensation by Company Revenue, General Counsel
*Mean total compensation does not equal the sum of the other mean values of compensation

Figure 3.2 Total Compensation by Industry, General Counsel
*Each individual industry contains data from 15-75 respondents
Figure 3.3 Compensation Breakdown by Company Revenue, General Counsel

*Base Salary and Total Compensation graphs display mean values; Bonus and Equity graphs display awards as a percentage of the Base Salary
*Base Salary and Total Compensation calculated from 100% of the General Counsel respondents
*94% of General Counsel received a cash bonus award above $0
*62% of General Counsel received an equity award above $0
*Mean Total Compensation does not equal the sum of the other mean values of compensation
Managing Counsel

Compensation Trends
Figure 4.1 Compensation by Company Revenue, Managing Counsel
*Mean Total Compensation does not equal the sum of the other mean values of compensation

Figure 4.2 Total Compensation by Industry, Managing Counsel
*Each individual industry contains data from 14-101 respondents
Figure 4.3 Compensation Breakdown by Company Revenue, Managing Counsel

*Base Salary and Total Compensation graphs display mean values; Bonus and Equity graphs display awards as a percentage of the Base
*Base Salary and Total Compensation calculated from 100% of the Managing Counsel respondents
*97% of Managing Counsel received a cash bonus award above $0
*70% of Managing Counsel received an equity award above $0
*Mean Total Compensation does not equal the sum of the other mean values of compensation
**Figure 4.4** Total Compensation by JD Year, Managing Counsel
*Each individual JD Year range contains data from 18-101 respondents

**Figure 4.5** Total Compensation by Practice Area, Managing Counsel
*Each individual practice area contains data from 6-168 respondents
*Environmental Practice Area data omitted due to insufficient number of responses
Senior Counsel

Compensation Trends
Figure 5.1 Compensation by Company Revenue, Senior Counsel
*Mean Total Compensation does not equal the sum of the other mean values of compensation

Figure 5.2 Total Compensation by Industry, Senior Counsel
*Each individual industry contains data from 22-114 respondents
Figure 5.3 Compensation Breakdown by Company Revenue, Senior Counsel
*Base Salary and Total Compensation graphs display mean values; Bonus and Equity graphs display awards as a percentage of the Base
*Base Salary and Total Compensation calculated from 100% of the Senior Counsel respondents
*94% of Senior Counsel received a cash bonus award above $0
*47% of Senior Counsel received an equity award above $0
*Mean Total Compensation does not equal the sum of the other mean values of compensation
Figure 5.4 Total Compensation by JD Year, Senior Counsel
*Each individual JD Year range contains data from 8-134 respondents

Figure 5.5 Total Compensation by Practice Area, Senior Counsel
*Each individual practice area contains data from 6-193 respondents
About BarkerGilmore

BarkerGilmore is a boutique executive search firm recognized for helping companies build world-class legal and compliance departments nationwide. They are dedicated exclusively to the placement of General Counsel, Chief Compliance Officers, and their strategic hires. Our niche concentration affords us access to a specialized network of talent, and we have established the relationships that allow us to identify the best legal and compliance professionals for any assignment.

(877) 571-5047
www.barkergilmore.com