

2016 LAW SALARY SURVEY - HONG KONG

Hong Kong's legal sector is changing and morphing on an almost monthly basis. In the past year a number of international law firms have launched, developed new practices areas and numerous legislative and regulatory changes have come into effect. This has impacted the local legal sector and will continue to do so in the years to come. Part of this impact will be on remuneration and this salary survey will hopefully address some of the questions employers and employees in the legal sector may have.

Q & A WITH MOHIT SAVALANI



PRIVATE PRACTICE

HOW HAS THE LEGAL JOB MARKET BEEN IN HONG KONG SINCE 2015?

Since 2015 and throughout this year, the private practice job market has been fairly stable. There has been continuous hiring for many different practice areas in each of the four quarters of the year, with a few factors worth highlighting.

A key factor would be the fact that 2015's Chinese New Year had taken place in the middle of February. It was particularly interesting to see the perhaps more proactive law firms taking advantage of this timing to make sure that hires would be in place for a March or April start date, ensuring that their teams would be suitably strengthened and prepared for when the work-flow would increase.

Another factor worth highlighting would be the significant increase of new merging partnerships between local and international law firms. These mergers are definitely something worth keeping our eyes on.

Thirdly, the demand for IPO lawyers had been high at the beginning of the year, especially during quarter one to two, and less so during quarters three. There has been a noticeable switch in focus and demand for lawyers within private/public M&A and PE practice area.

There is no doubt that mid-level lawyers have been in very high demand throughout the year – on this basis, any law firm would seriously consider a 5+PQE lawyer – particularly those with Chinese language skills.

Finally, the biggest growth area has been lawyers within the financial regulatory and commercial disputes space, specifically those with experience in dealing with the PRC.

LOOKING AT THE HIRES OVER THE PAST YEAR, HOW HAS THE MARKET EVOLVED?

The market has seen an increase in the need for lawyers with a litigation and FCPA background; firms will certainly continue to hire in these practice areas.

Since the implementation of the competition ordinance last year, we can expect to see a fruitful growth in headcount within this area, particularly with a number of firms already marketing themselves as experts in this field.

TELL US ABOUT THE SALARY AND BONUS PATTERNS WITHIN PRIVATE PRACTICE.

Private practice salaries across the board have seen salary increments ranging from five to ten percent. Of course, some firms would pay higher salaries to lawyers hired from their competitors with the means to avoid the chance of the lawyer in question being counter-offered a better package and to ultimately secure their hire.

Generally speaking, we have seen an increase in salaries offered to those at the junior end, as opposed to the senior end.

Bonuses ranged between zero to three months, depending on the firm and the practice area.



UK/Mid Tier Law Firms (Monthly)

PQE Level	Range (in HKD)	Average
NQ	\$67000 - \$78000	\$72500
1	\$73000 - \$82000	\$77500
2	\$81000 - \$91000	\$86000
3	\$86000 - \$96000	\$91000
4	\$88000 - \$108000	\$98000
5	\$95000 - \$118000	\$106500
6	\$105000 - \$126000	\$115500
7	\$113000 - \$132000	\$122500
8	\$128000 - \$147000	\$137500

US Law Firms (Annual)

PQE Level	USD
1 st	\$160,000
2 nd	\$170,000
3 rd	\$185,000
4 th	\$210,000
5 th	\$230,000
6 th	\$250,000
7 th	\$265,000
8 th	\$280,000

ACTIVE AREAS

WHICH PRACTICE AREAS HAVE BEEN MOST ACTIVE OVER THE LAST YEAR?

Last year, the most active practice areas have no doubt been the corporate space - specifically, IPOs, M&A and PE.

Other areas that saw an increase in activity would include banking and finance; FCPA; litigation; regulatory and competition/anti-trust.

HAVE MANY NEW INTERNATIONAL FIRMS MOVED INTO HONG KONG OVER THE LAST YEAR?

Yes and in fact this is inevitable – we have seen a few firms making a merging move across to Hong Kong. That said, it has been significantly less in comparison to previous years.

WOULD YOU SAY THAT THE HONG KONG MARKET IS STILL ATTRACTIVE AS IT WAS BACK IN 2013-14?

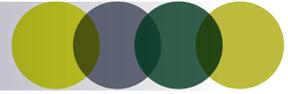
Absolutely. However, now more than ever, the demand for lawyers with the Chinese language skills is becoming essential.

With Hong Kong's low tax rates and high potential growth in careers, we have found that more and more international lawyers are feeling inclined to work in Asia, as opposed to places like Europe. As a result, a substantial number of international moves have been within the APAC regions. According to the hundreds of responses we obtained from our survey, it appears that many are moving to Hong Kong for the following reasons:

- a) the more attractive remuneration packages compared to places like the PRC, Singapore and Australia; or
- b) lower tax rates; or
- c) the slightly better pollution levels, compared to larger cities such as Beijing and Shanghai; or
- d) a combination of the aforementioned reasons.

OTHER THAN THOSE REASONS, WHAT DO YOU THINK MAKES HONG KONG SUCH AN ATTRACTIVE MARKET?

Perhaps the most marketable attraction to such an outstanding city like ours would be China's ever-growing integration within Hong Kong. Lawyers recognise that despite potential declines in our economy, this China-Hong Kong integration almost always guarantees that the market will remain busy.



PROMOTION

WHERE ARE THE BEST PROMOTION OPPORTUNITIES FOR AMBITIOUS LEGAL PROFESSIONALS?

With regards to promotion, we see a mix of internal growth and professionals moving for a promotion. We are starting to see a trend of Senior Associates moving firms for a quicker promotion to Counsel positions and similarly, Counsels moving for a more immediate promotion to Partnership.

IS 2016 A GOOD TIME TO MOVE JOBS IN PRIVATE PRACTICE?

Yes, always.

Especially if you are a mid-level lawyer, it is a good time to explore a move into other private practice firms. Some law firms are now faced with difficulties from not bringing through newly-qualified (NQ) lawyers during the global financial crisis (GFC) in 2008/2009. This is now leading to a shortage of mid-level lawyers. Thus if you consider yourself a lawyer who falls into this PQE bracket, now is the time to move to gain big pay rises and potentially promotions.

PROJECTIONS FOR THE REST OF 2016

WHAT ARE THE PROJECTIONS FOR 2016 FOR THE PRIVATE PRACTICE JOB MARKET?

Our projections for the rest of this year is that the more proactive and successful law firms will continue to hire mid-to-senior level associates in all practice areas. At the same time, they will not only limit their candidate pool from Hong Kong, but also they will look for overseas commonwealth qualified lawyers.

WHAT WILL BE THE SPECIFIC GROWTH AREAS?

Specific growth areas will include: IPO, FCPA, China-related disputes, banking and finance and restructuring & insolvency.

WILL SALARIES RISE?

Salaries will definitely be on the rise in 2016, particularly with firms that are doing well. For those that are not, the salaries will most likely to remain at the same level as it currently is.

WHAT WILL BONUSES BE LIKE?

For the UK, Chinese and local Hong Kong firms, bonuses will be in the range of zero to three months, depending on the firm and different practice area. However, due to the current market conditions, we do not anticipate a major rise in bonus. For the US firms, bonuses will tend to start around US \$14,000 and depending on your level of experience, it will be a higher amount.



IN-HOUSE

HOW WAS THE IN-HOUSE LEGAL MARKET IN 2015?

The in-house market in Hong Kong throughout 2015 was booming last year, with countless openings and hires across different sectors. This includes multinational corporations, asset managers, private banks, regulatory bodies and insurance companies in particular.

WHICH AREAS HAVE BEEN THE MOST ACTIVE OVER THE PAST YEAR?

The most active areas were for lawyers with either corporate/commercial, regulatory, derivatives, and funds experience.

SALARY GUIDE (IN HKD)

	3-6 PQE (Monthly Salary Range)	3-6 PQE (Average Monthly Salary)	4-10 PQE (Monthly Salary Range)	4-10 PQE (Average Monthly Salary)	8-12 PQE (Monthly Salary Range)	8-12 PQE (Average Monthly Salary)
International I-Banks	\$94500-\$126000	\$110250	\$105000-\$157500	\$131250	\$136500-\$218750	\$177625
Chinese I-Banks	\$73500-\$94500	\$84000	\$84000-\$115500	\$99750	\$94500-\$126000	\$110250
Traditional Asset Managers	\$84000-\$115500	\$99750	\$94500-\$147000	\$120750	\$115500-\$168000	\$141750
Private Equity Firms	\$84000-\$157500	\$120750	\$105000-\$210000	\$157500	\$140000+	\$140000+
Non-Financial Services	\$52500-\$105000	\$78750	\$63000-\$126000	\$94500	\$94500-\$157500	\$126000

WHAT WERE BONUSES LIKE WITHIN IN-HOUSE?

Depending on the level of seniority, bonuses were within the range of one to four months. To illustrate, on the more senior end, bonuses were between three to six months. Chinese financial institutions were paying rather generous bonuses of over six months.

MOVING IN-HOUSE IS HAPPENING REGULARLY; WHAT CAN PEOPLE EXPECT IN TERMS OF SALARY WHEN DOING SO?

When moving in-house, lawyers need to take a lot of different factors into careful consideration. For instance, lawyers often have to take a slight pay cut on their base salaries. Whilst not ideal, this is more often than not considered thus overcome, as in-house opportunities tend to provide lawyers with an improved work/life balance. In contrast, some banks tend to provide an increment to base salaries. That said, this is highly dependent on the level of experience and the focal practice areas. In addition, the base salary increase year-on-year is quite limited.



WHAT ADVICE WOULD YOU GIVE SOMEONE IN PRIVATE PRACTICE LOOKING TO MOVE IN-HOUSE?

Here at GRM, we would always suggest lawyers to take a cautious, well-thought-out approach in making sure that they have done a thorough research on various aspects before considering a new in-house role. Key examples would include the department in which they would be working; the team and its members; the transactions and the type of work they have been doing; as well as of course the actual company's performance over the years and their business strategies for the future.

That said, an open mind is key when exploring in-house opportunities. Lawyers have a tendency to be slightly more favorable towards certain brands and names – we always advise lawyers to consider other, perhaps more important factors such as the type of work and the company's ethos and values.

WHAT ARE THE PROJECTIONS FOR THE REST OF 2016 FOR THE IN-HOUSE LEGAL MARKET?

For senior lawyers, we predict that there will be a decrease in in-house opportunities for them, as companies look to cut costs and favour lawyers at the mid-level, namely those between 3-5PQE. Depending on how the markets are, we see some increase in salaries but they will most likely stay flat with most financial institutions. Similarly, bonuses will also depend on general economic conditions.

CONCLUSIVE COMMENTS

To conclude, it has been fantastic to see such a large volume of responses to our salary survey. As evident, the last couple of years have definitely been particularly interesting, with the ever-changing market conditions. Our analysis has certainly proven that there will always be a demand for lawyers of different backgrounds, seniority and skill sets. We are more than happy to arrange a confidential consultation session to discuss some of the findings in detail. In this regard, please contact us in our Hong Kong office to arrange a discussion.