

2018

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HALF YEAR LEGAL  
MARKET PEOPLE &  
SALARIES REVIEW

GRM

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*Recruitment Agency - CEO / MD of the Year - 2018 (Finalist)*  
*Recruitment Agency - Excellence of the Year - 2018 (Finalist)*

LE FONTI AWARDS, ASIA  
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*Most Innovative Use of Artificial Intelligence - Global 2017 - (Finalist)*  
*CEO of the Year 2017 - (Finalist)*  
*Best Recruitment Agency Hong Kong 2015 - (Silver)*

CFI AWARD  
CEO REVIEW  
ASIA HR AWARDS

*Hong Kong Legal Recruitment Team of Year 2016*  
*Hong Kong Legal Recruitment Team of Year 2015*

RECRUITMENT INTERNATIONAL

*Best Small Agency Asia Pacific Commended Winner 2016*  
*Best New Agency 2015*

*Best Recruitment Consultant 2014*  
*Best Specialist Recruitment Business 2014 (Commended)*  
*Best Permanent Recruiter 2013 (Commended)*

GLOBAL RECRUITER

# HALF YEAR LEGAL MARKET PEOPLE AND SALARIES REVIEW

Our previous predictions for 2018 and for the year so far.

At the beginning of the year, GRM released its review of the previous year pay grades and bonuses, as well as our Partner/Director focus, to a phenomenal response. Downloaded over 5,000 times. The review was extremely well received.

## **What has happened in the SA legal market in the first 6 months of 2018?**

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## BIG LAW

In the first 6 months, the international market further strengthened in Gauteng, as Johannesburg is the financial capital of South Africa. The pace of the entries and the size of such entries were slow and small in value; however, it did attract large corporates and clients. The one development which stood out to our firm is the appointments of George Sibanda as the managing partner for Pinsent Masons and Sbu Gule as new CEO of Norton Rose Fulbright. It is always great to see

South African lawyers receiving international backing. Big local firms had a focus on business development, with the aim to attract international clients. With the loss of some senior associates, big firms hired junior associates in order to minimize onboarding cost. We do not always recommend this, as the juniors are not accustomed to charging out on this level and this will affect the internal culture of the firm.

## ALS (ALTERNATIVE LEGAL SERVICES)

Alternative legal services kept growing by the likes of HSF's Alternative Legal Services and Lighthouse Law's impressive fee structures. In the junior and mid-senior market, the movement became more active, as most lawyers question alternative employment as oppose to fee-earning structures.

This could also be an indication of the health of the economy and the uncertainty within the political sphere. Most law firms question the quality of work associated with fixed fees, however, by hiring experienced support lawyers, quality oversight will be insured.

## INTERNATIONAL

The International market keeps opening doors for South African qualified lawyers willing to relocate to the UK, the Middle East, and Canada. The Seven Sister Firms and the Canadian Bar Council recently mentioned that Legal Services is a critical skill in the country and they welcome overseas applications from top talent. The UK is always

asking for top M&A lawyers to be open to moving business. For that reason, it is always important to have an external counsel oversee and even write an opinion on your restraint of trade and/or Conflict of Interest clause, the moment when you are promoted to partner/director.

## LOCAL FIRMS

Some of the local firms did take a page from the international law firms' playbooks, by branding themselves as specialist firms. This approach is in line with what we suggested in December 2017. The national firms did cut down on unnecessary overheads and hired the best they could find from competing firms. As mentioned in our predictions, the profitable lawyers did make moves to competing firms, due to the pressure from unprofitable departments from their predecessors. International firms do have the budget to employ true business developers to support partners, rather than relying on 'word of mouth'. Local firms kept quiet on the continent

with only using correspondent lawyers, rather than establishing a true continental presence. This strategy is alarming given the fact that even US firms are building clients in East and West Africa. We strongly recommend that local firms make hires across the continent in order to diversify risk and building their respective brand. More and more commodity-lawyers are moving to Africa from the UK in order to maintain uncertain developments. In Cape Town alone, there are more than 100 experienced solicitors maintaining an African presence and reporting back to the UK.

## SALARIES

Salaries were challenged between the Big 5 and International firms, due to the commitment to 'better the current deal'. This slight increase is not a reflection of the real-time economy, but an aggressive incentive to seal the deal. Due to the high cost of onboarding new lawyers, and the lack of guaranteed billables, most law firms only promoted lawyers internally. This was not a wise choice in general, because the current staff was

not compared to what the competition had to offer. By benchmarking current associates against competing associates, accurate billings could be determined and the opportunity to transfer clients could be established. As part of our research, it became clear that some associates only bill 4 hours per day, yet they receive the same salaries as competing 8-hour associates.

## PRACTICE AREAS

Banking and Finance departments remained the top developing department throughout Southern Africa. Mergers and Acquisitions are influenced by the natural merger-lifecycles and the Competition Commission saw interesting developments in the Mining space. Recent events indicated that brand protection is key, as some firms reached the news for the wrong reasons. Dispute Resolution will soon follow and hopefully, if they make new hires to cover these developments, the new associates could service future client prospects.

Construction, Dispute resolution and Business Rescue in our view will see an upswing, as some of our clients have been receiving instructions at

a rapid pace since June. Firms in the Middle East are open to looking at In-House Construction Lawyers to attend to the frontend work.

Webber Wentzel stood out in their commitment to Technology by hiring a CIO from Microsoft. We applaud this international trend. A few years ago, they also hired an experienced GC from the UK to minimize the Enterprise Wide Risk, associated with being a law firm. Although the GC is not occupying a fee-earning capacity, the reputational cost he is saving for the firm could still be measured.

## WHAT'S GOING TO HAPPEN THE REST OF THIS YEAR

Our projection for the second half of 2018 is that Law Firms will start hiring more Partners and Directors from competing firms, in order to build a national presence and hire experienced individuals. Some firms wish to create a larger portfolio of partners who could share equity risk by the back end of 2018. Banking/Finance departments will continue to grow consistently. Salaries would remain constant compared to the first half of the year.

International firms are looking to explore opening offices in Cape Town, in order to attract more financial institutions as clients.

In our view, this will challenge the existing market and boutique firms. There are partners and directors looking to make a move to new geographical areas with no expectation of salary increases, but rather a change of environment. According to the previous results of our survey, increases were only influenced by inflation or less. If one received a bonus at end of the year, count yourself lucky. Our reason for stating this is simple, the decrease of the GDP does not justify such bonuses.

International firms who are finding the environment challenging will hire local partners in order to attract local business.

## TRENDS IN-HOUSE

We saw double-digit percentage increases with In-House Counsels making a move back to practice.

Senior associates are moving to In-House, as promotion opportunities may not have realized in the first half of the year. One should be cautious of making a move to any large corporate, before receiving accurate feedback on the last 4 years of performance appraisals. The feedback from your partner or principal could assist the lawyer in making an informed decision. Not all lawyers are partner/director material and they have the perception that the In-House environment would have less pressure.

Large corporates across the country are all tightening their belts. GC's are decreasing external counsel cost, as part of EXCO's long-term vision. Some of the corporates see the law firms as post-boxes they could use, in order to institute an action. That is why it is critical to retain your

current clients every year and remain in contact, even though the instructions are not coming in. As mentioned previously, smaller boutique firms could negotiate fees on a fixed base, and this could take away business from the large firms.

When making a move in-house, be sure to ask all the right questions. Promotions aren't guarantees, as the positions are not regularly available. There were a few moves on the GC front. Especially between the Multinational Telecommunication firms and Retail Outlets. The salaries did increase above 10%, as the typical GC's responsibilities became more. GC's play a critical role when they work alongside the board. As part of the Risk-unit, GC's do have a large amount of stress, when there is no communication between Compliance and Legal. That is why we saw a lot more independent units merge within large organizations in the first half of 2018.

## LAWYERS ARE INVESTMENTS AT THE END OF THE DAY

Now, will be the best answer to the question, when should I move? This might come as an obvious answer. Most lawyers have realized that their targeted billables for the year is being calculated on a quarterly base and that they all fall short. Most lawyers struggled to balance time on actual billings and developing business and retaining clients. By making a move now, one could focus on starting on a new page. This could open up doors to attract international clients and receive development funding from the board, as part of initial onboarding negotiations.

For mid-senior and senior attorneys, we strongly advise to discreetly test the market with their individual profiles. One never knows what firm is looking to enter the market from the UK or the US. UK based firms are showing a trend to hire top talent from South Africa in order to maintain an African book of business.

For young lawyers, we advise start building a book of business and ensure billables when transferring to a new firm. Speak to your agency to have your practice audited, in order to accurately determine your worth to a competing firm. This is a risk we saw of junior to mid-senior lawyers applying to firms through social media platforms. The firm could only see your transcripts, practice area and past employers, rather than looking at the lawyer as a business decision.

Further to this, it is difficult to determine if an applicant would be considered a cultural fit, by clicking "apply" on a social media site.

Please stay in touch if you need any more information on the above and look out for our end of the year survey.

**Darius Zeederberg**