

Legal Market Report 2019: Countering the 'Cravath Effect'



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FOREWORD

This is the first year Barclay Simpson has combined our candidate and client market reports. We had over 1,600 responses to our global surveys and we're delighted to share the industry's thoughts with you.

The clear theme from this year's report is that private practice firms have stepped up their game in terms of compensation. Ever-increasing private practice salaries have been dubbed the 'Cravath Effect' and the trend is having a clear and emphatic impact on in-house recruitment.

At the 5+ years PQE level, people's desire to have a better work-life balance means there is still a reasonable pool of talent, but good lawyers are getting harder and harder to find below this. The allure of huge salaries means many lawyers are prepared to stick out private practice for longer, even if they don't feel the partnership route is for them.

There is now a conspicuous lack of candidates at a time when a strong and robust legal department is as important as ever. Doing great work in the background is often not enough anymore. Lawyers who can influence and interact with the business are far more likely to get the offers they want. Meanwhile, employers recognise the value a high-calibre legal team provides, which means they aren't prepared to sacrifice on quality, even though attracting talented lawyers is increasingly difficult.

The Cravath Effect is helping drive up salaries for in-house roles, but the reality is basic pay is unlikely to match private practice offers. Lawyers should therefore consider total compensation when weighing up opportunities. A different workplace culture, the chance to develop strong commercial acumen and a better work-life balance should still make in-house moves appealing. Indeed, we've seen increasing demand for flexible working opportunities, as lawyers look to balance their career ambitions alongside a fulfilling personal life.

Other trends affecting in-house legal departments include Brexit uncertainty, the growing impact of disruptive technologies and the ongoing effects of significant regulatory changes. Effective legal recruitment can help firms overcome these hurdles and the hiring outlook remains broadly positive as we head further into 2019.

We hope this report provides useful insights into the opportunities and challenges facing the in-house legal market. There are strong ties between all areas of governance, so we would also encourage you to read our other market reports, which can be **downloaded on our website here:**

<https://www.barclaysimpson.com/market-report-2019>



Tom Boulderstone

Head of Legal, Compliance & Financial Crime
at Barclay Simpson

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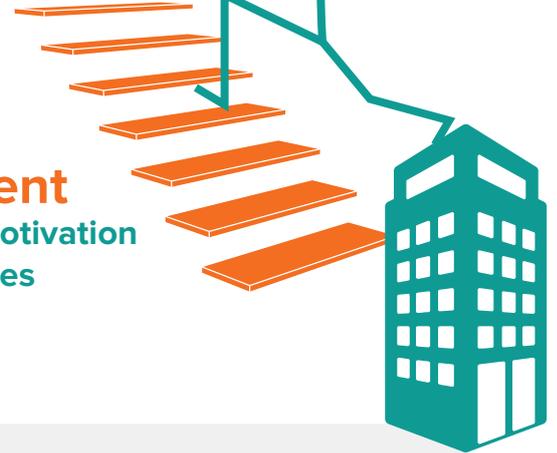
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01

At a Glance



76% of employers recruited
or attempted to recruit in 2018



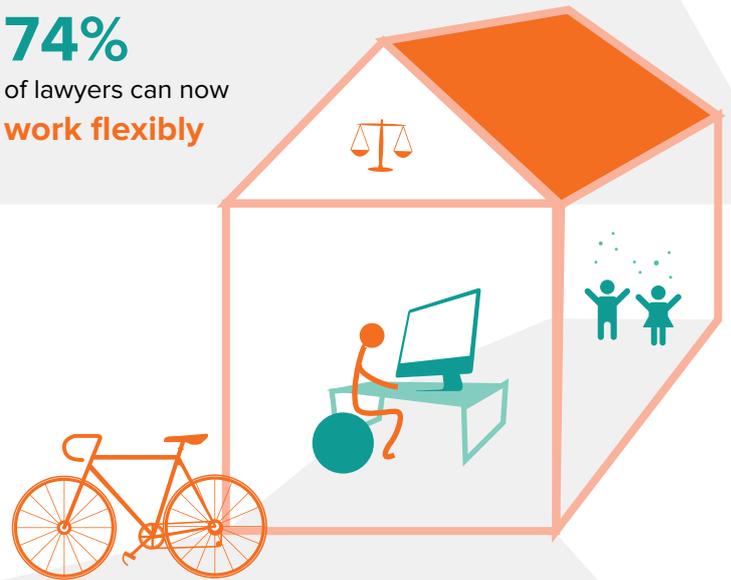
Career development
is the leading motivation
for changing roles



Brexit
causing significant
workload changes

for **18%** of staff

74%
of lawyers can now
work flexibly



Sourcing technical skills
is the main recruitment challenge

for **45%** of firms



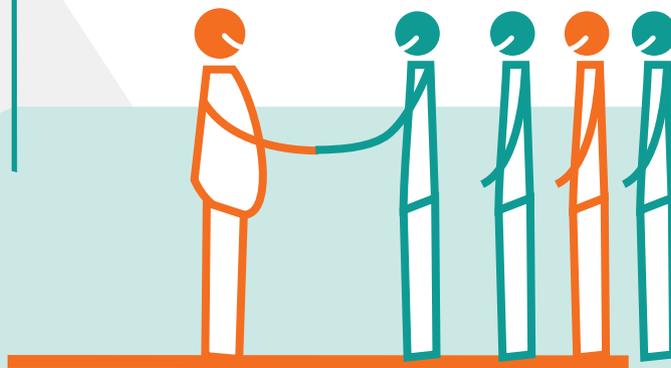
55%

of firms found it
harder to recruit
due to private practice
salaries



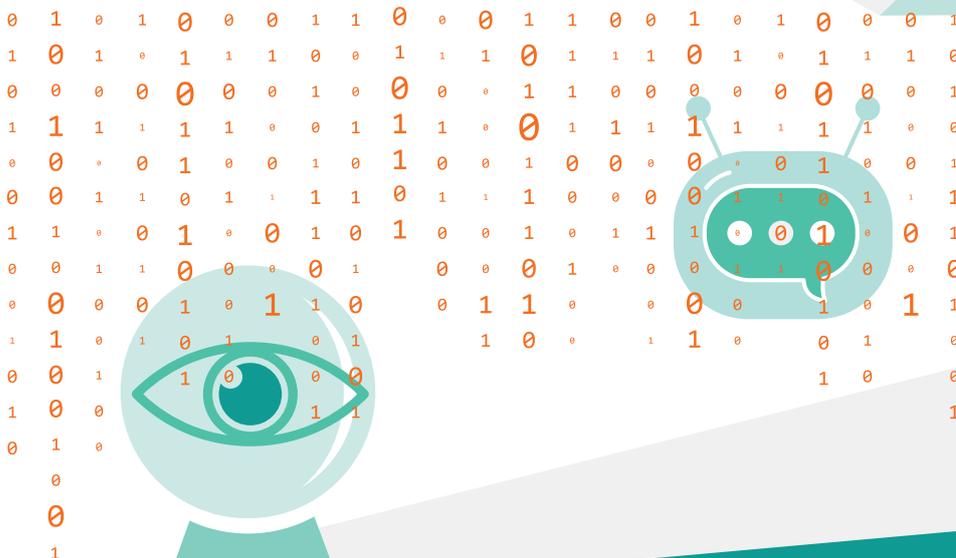
50%

of employers
expect to hire
in 2019



48%

of candidates
cite salary dissatisfaction
as biggest job gripe



**Disruptive technologies
improving efficiency**

at **89%**
of businesses that use them

02

Executive Summary



Cravath Effect drives up salary expectations

Ever-increasing private practice salaries are driving up pay expectations among in-house lawyers. Nearly half (48%) of in-house professionals cited salary as the aspect of their job they'd like to change the most, which was significantly more than any other factor.

Career development is the key focus for professionals

The Cravath Effect may be fuelling salary dissatisfaction, but career development was the primary motivator for 50% of lawyers who moved jobs in 2018. This was up from 30% the previous year, suggesting lawyers are more focused than ever on securing senior roles that will help them develop new skillsets.

Lawyers enjoying more flexible working opportunities

The proportion of lawyers who have access to flexible working opportunities climbed from 65% in 2017 to 74% last year. A better work-life balance is increasingly important to professionals, with nearly three-quarters of candidates saying they would like even more chances to work flexibly.

Regulatory pressures fuel technical skills shortage

Legal departments spent much of 2017 and early 2018 preparing for the implementation of MiFID II, GDPR and other key pieces of legislation. The CFD and spread-betting sector also underwent significant changes last year. Regulatory lawyers remain highly sought-after, with 45% of clients facing difficulties finding candidates with the right technical skills.

Brexit workloads are on the rise

Three-quarters of lawyers said Brexit had no impact on their workloads in 2017, but this figure has plummeted to 38%. Meanwhile, non-British citizens comprised 21% of legal departments last year, which was down from 37.5% a year earlier, indicating EU candidates may be reacting to the ongoing political uncertainty.

Widespread support for tech innovations

Nearly nine in 10 clients and 81% of candidates believe data analytics, the cloud and artificial intelligence (AI) improve the efficiency of legal departments. Despite this widespread support, more than one-third (35%) said they don't currently use these technologies and have no plans to do so.

Growth on the horizon for legal departments

Half of legal departments feel they are not adequately resourced to tackle the challenges they face, including future expansion. Of the 50% of businesses that are recruiting in 2019, 62% are focusing on growth hires, while only 31% are replacing outgoing staff.

Increased workloads driving the contractor market

The rising regulatory burden resulted in a busy year for legal contractors, with increased workloads leading to 42% of interim hiring decisions last year. Contractors with both UK and EU regulatory experience will be particularly in demand for 2019 due to Brexit.



03

Legal market trends

Various economic, political and regulatory headwinds continue to buffet the in-house legal recruitment market. Here, we examine the factors that had the biggest impact on hiring last year, as well as predict key trends for 2019.





Economic and regulatory drivers

Signs of recovery for UK economy

Uncertainty was perhaps the main theme running through **our last market reports**. In 2017 and 2018, businesses faced massive upheavals as they prepared for GDPR, MiFID II, PSD II and other key regulatory changes.

The economy also grew at its weakest rate in five years during the first six months of 2017.¹ By the end of that year, the country's long-running streak of falling unemployment had faltered, real wage growth had stagnated and lingering doubts remained over Brexit.²

Uncertainty is still a problem over one year on, particularly regarding Brexit, but there are signs 2018 was a stabilising period and organisations can expect the next 12 months to provide answers to some elusive regulatory questions.

Pay growth revival

Unemployment stood at just 4% in the three months to August 2018, which is the lowest rate in 40 years.³ This figure had crept up to 4.1% by the September quarter⁴, but still remained significantly below the 8.1% peak seen in 2011.⁵ A subsequent skills shortage helped pay growth hit 3.2% at the time of writing. This is the biggest increase since the country plunged into recession in 2008.⁶

Real wage growth, which accounts for inflation, is also steadily increasing. Between April and June, regular pay edged forward just 0.34% in real terms.⁷ However, this had climbed to 0.9% for the three months leading to September, as inflation stabilised at 2.4% for October.⁸ Sluggish productivity remains a problem for businesses, but the results nevertheless suggest salary growth showed a strong upward trajectory throughout 2018.

GDPR and MiFID II

Significant resources went into preparing for these two comprehensive pieces of legislation. They were by no means the only regulatory changes that occurred in

2018, yet the sizeable fines attached to non-compliance guaranteed they were the primary focus for most governance teams.

Legal departments may have breathed a sigh of relief when the implementation deadlines passed, but the job is far from over for many professionals. A TrustArc survey showed 26% of organisations didn't expect to be compliant with GDPR by the end of 2018, while 7% won't even be ready when this year comes to a close.⁹

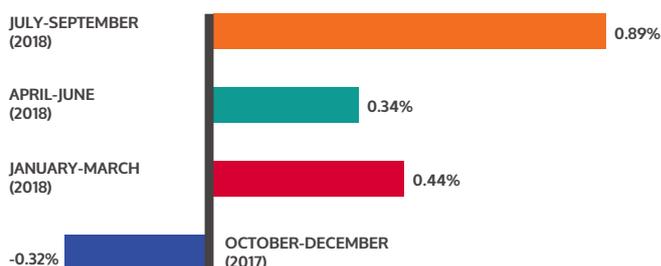
Meanwhile, media reports suggest the FCA is becoming impatient with companies that remain non-compliant with MiFID II.¹⁰ Legal professionals will find out this year whether the advice they provided businesses during implementation projects was sound.

CFD trading and spread-betting

In 2018, ESMA agreed a number of measures designed to regulate contracts-for-differences (CFD) and spread-betting businesses across the EU. The regulator decided customers needed greater protection after research revealed between 74% and 89% of retail account holders lose money on their investments.¹¹

The changes have created opportunities for larger, better-financed CFD firms to acquire smaller competitors and expand their book of business. Regulatory lawyers have become extremely valuable within the space to help navigate these companies through an increasingly tough legal landscape.

Quarterly UK pay growth (real)



SOURCE: ONS

Brexit burden weighing on lawyers

Predicting the future is always difficult, but even the best analysts have found it impossible to forecast what will happen next with Brexit negotiations. The tension surrounding the UK's exit from the EU was palpable in our previous market reports and not much has improved since then.

Given the constantly evolving situation, we won't delve too deeply into the current status of Brexit. However, the impact on the legal recruitment market is undeniable.

The Brexit effect increases

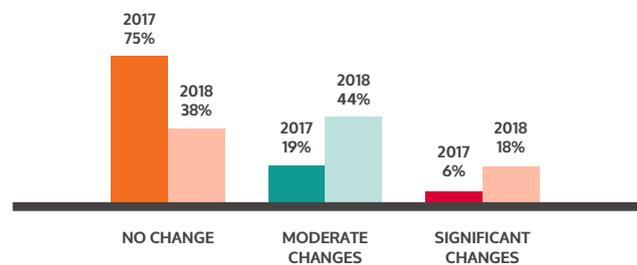
In 2017, three-quarters of lawyers said Brexit was having no effect on their workloads. This figure slumped to 38%, while the proportion of professionals who saw significant changes to their work tripled from 6% to 18%.

The results emphasise the growing impact on many departments, with almost all financial services firms

employing either permanent or contract Brexit teams to help prepare for different scenarios.

Some areas of law are affected more than others. For example, the regulatory space remains busy, as there will likely be legislative changes to consider whatever the final outcome. M&A activity has notably declined, with organisations putting a hold on deals until a clearer picture of Brexit emerges.

Is Brexit affecting the work you do?





Has an exodus of talent already begun?

The proportion of non-British citizens comprising legal departments dropped significantly from 37.5% in 2017 to 21% last year. Candidates from mainland Europe may be reluctant to come to the UK until the conditions of Brexit are confirmed. The intense competition for talent across many European jurisdictions has also caused rising salaries outside the UK, which could prove attractive for non-British candidates who are offered interesting roles and are happy to move back home.

Overall, legal professionals showed a greater willingness last year to relocate outside the UK if Brexit has a significant negative impact on their job. The increase was small (up to 52% from 50% in 2017) but contrasted with other corporate governance disciplines, which all pulled in the opposite direction.

Lawyers bullish on Paris

Only 20% of employers have opened or are planning on opening new offices in other locations due to Brexit. That said, candidates showed a strong preference for Paris, with 72% admitting they would consider relocating to the city if necessary. This is perhaps partly because more professionals spoke French (18%) than any other European language apart from English.

Dublin and Amsterdam also proved popular, which is hardly surprising given Ireland is an English-speaking country and the Netherlands is second only to Sweden globally for English language skills. Nearly two-thirds (64%) of lawyers only speak English¹².

There continues to be an openness to moving overseas, which lawyers are seeing as an opportunity rather than an inconvenience. There are now many financial services hubs in European cities other than London and these have created growth opportunities.

Paris, Dublin and Amsterdam have a lot to offer in terms of culture, food and drink, and things to do - as well as job opportunities - whereas the consensus on Frankfurt is that it's a little more industrial and therefore less appealing.

Rebecca Garland
ASSOCIATE DIRECTOR



Disruptive forces affecting in-house legal

The Cravath Effect

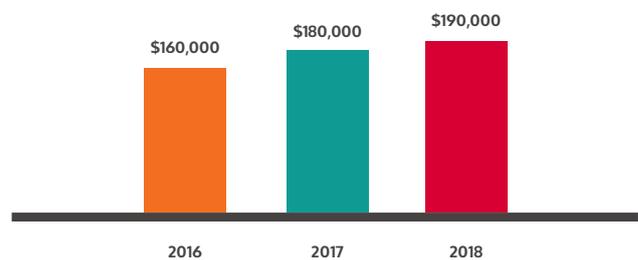
The practice of big US law firms competing in heated salary wars for top talent is known as the 'Cravath Effect'. It's a trend that Cravath, Swaine & Moore started in 2016, when the company bumped up junior associate salaries by 12.5% to \$180,000 (£142,800).

Earlier this year, the new benchmark was set at \$190,000, although Milbank, Tweed, Hadley & McCloy were the first to break ranks and announce an increase this time.¹³ Most other law firms fell in line, meaning first-year associates continue to earn more than ever before. Junior to mid-end lawyers are now prepared to stay within private practice longer to maximise salary benefits. This has resulted in fewer candidates applying for roles this year, especially at the 1-5-year PQE level.

The Cravath Effect is also having a significant impact on salary expectations among those choosing to move in-house. Lawyers must generally manage their expectations downwards, particularly as most in-house roles lead to a better work-life balance and other benefits.

Many financial services firms have traditionally been reluctant to raise basic salaries to match rising demands, but they may have to make concessions in the future to attract the best candidates. Otherwise, organisations will be forced to lower their own expectations to secure lawyers who are within their budgets.

Typical first-year associate salaries at big US law firms



The Cravath Effect has caused rapid salary increases in private practices. Banks are becoming more aware of this trend, with a few showing more flexibility on compensation. But candidates must also realise that moving in-house often comes with certain perks, including a different culture, more flexible working and the chance to broaden skillsets by working closely with pioneering businesses.

Dan Conway

SENIOR CONSULTANT

Innovative technologies on the rise

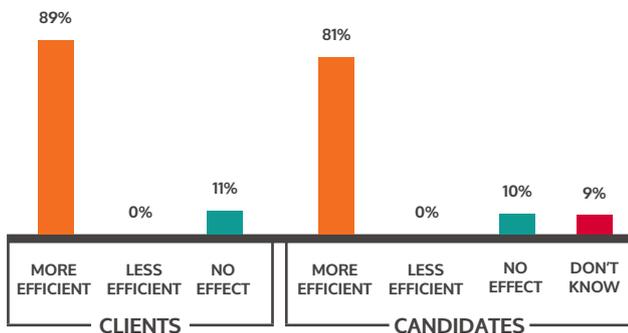
The legal sector has traditionally adapted slowly to innovation, but a growing proportion of departments appear to recognise the benefits of technology.

Our survey revealed overwhelming support for data science, the cloud and AI, with 89% of employers confident these technologies will improve efficiency. Over four-fifths of candidates (81%) said the same.

There were concerns among 19% of lawyers that technology could make their jobs less secure. However, the majority of respondents (62%) believed their jobs would either be more secure or unaffected.

Some 45% of businesses already utilise or are considering using data science, cloud or AI technologies within their legal functions, but 35% said they currently had no plans to implement these technologies.

How will disruptive technology affect efficiency across legal?



Many of our clients, especially large businesses, have already moved onto the cloud with regards to hot desking and remote working systems. We were therefore surprised to discover 35% of in-house legal departments aren't using disruptive technologies.

These technologies often improve efficiencies, which frees up extra time for lawyers to spend on more value-added tasks. Innovation also creates project work, requiring bigger headcounts and improving job security for existing lawyers. We expect the number of in-house departments implementing technology to increase in our next report.

Tom Boulderstone

HEAD OF LEGAL, COMPLIANCE & FINANCIAL CRIME





Diversity and inclusion

Diversity is a hot topic, and rightly so, with businesses worldwide keen to be more inclusive during their recruitment processes. Countless studies have emphasised the benefits of diverse workforces, which include:

- Enhanced profitability;¹⁴
- Improved decision-making;¹⁵
- Better innovation¹⁶; and
- Improved customer experiences.¹⁷

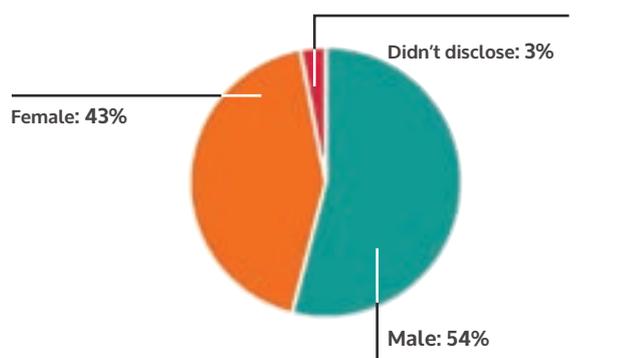
Financial services still has room for improvement when it comes to diversity. Gender has been the primary diversity focus in recent years, with initiatives such as the Women in Finance Charter gaining significant support from the industry's biggest names.

Nevertheless, the average gap between salaries for men and women is 22% for the sector, increasing to 46% for bonuses.¹⁸ The average gap across the UK overall is much lower at 8.6% for full-time salaries.¹⁹

Traditionally, we've seen an equal gender mix among candidates looking for in-house moves. Both men and women are attracted to the better flexible working opportunities and work-life balance compared with private practice.

Our research shows the gender balance across in-house legal departments was 54% men to 43% women last

In-house legal gender split



year (3% chose not to disclose). This was roughly the same outcome as 2017, meaning legal remains one of the most gender-diverse corporate governance functions.

The challenges of diversity-led recruitment

Over half (55%) of employers claimed diversity and inclusion initiatives don't affect their recruitment decisions, with a further 20% saying they don't have specific targets.

Ultimately, securing top talent in the legal recruitment market is often hard enough for businesses. LinkedIn research revealed finding enough applicants to interview is the main hurdle for any diversity-focused employers.²⁰

Our results echo these frustrations, with 50% of hiring managers reporting that recruitment efforts prioritising diversity were unsuccessful.

Organisations are generally focused on finding the right candidate with the best skillset. Focusing on diversity generally reduces the available talent pool, which can be problematic in markets where high-calibre applicants are already in short supply.

As a result, the majority of our clients aren't asking for specific diversity targets on short-lists, especially at the junior to mid-level. The more senior the hire, the more equality targets come into play, with a clear emphasis on delivering diversity at senior leadership levels.

Rebecca Garland
ASSOCIATE DIRECTOR

04

Recruitment, salary and compensation trends

We've discussed the major factors influencing the market, but what impact are they having? This section examines key client and candidate insights from our global surveys.



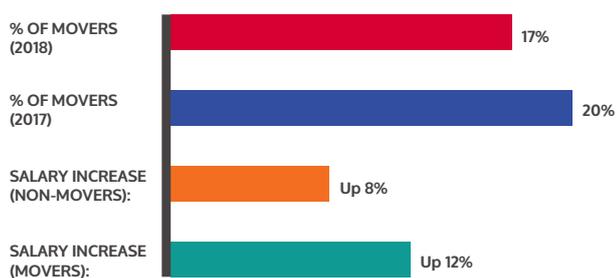


How active is the legal recruitment market?

Fewer lawyers moved jobs last year, with 83% of professionals sticking with their current employer (rising from 80% in 2017). The Cravath Effect, Brexit and a lack of available senior roles were key factors contributing to hesitancy among candidates.

ensured regulatory lawyers remained highly prized. Talented lawyers who are looking to move roles and have sought-after skillsets often receive multiple job offers, meaning the market for top talent is as fierce as ever.

A snapshot of in-house legal in 2018



Our research indicates a wait-and-see approach among lawyers, with uncertainty surrounding the UK's separation from the EU causing valid concerns. Rising salaries at private practices mean many lawyers are happy to remain in their current position until political and economic headwinds die down.

However, 2018 was a busy year in terms of regulatory workloads for legal professionals. The implementations of MiFID II, GDPR, PSD II and other key legislation

Many niche areas of law are in the ascendency, which is increasing the demand for specific skillsets both in private practice and in-house. But fewer lawyers are moving in-house due to the large salaries being offered at major law firms.

Small candidate pools for specialist roles, such as structured products and securitisation lawyers, are driving up salaries dramatically at the junior end. Many departments are struggling to even get secondees due to the ongoing battle for talent.

Tom Boulderstone

HEAD OF LEGAL, COMPLIANCE & FINANCIAL CRIME



What drivers are affecting candidate choices?

Candidates move jobs for a variety of reasons, but 2018 marked a significant shift in priorities for many legal professionals.

Lawyers focus on career development

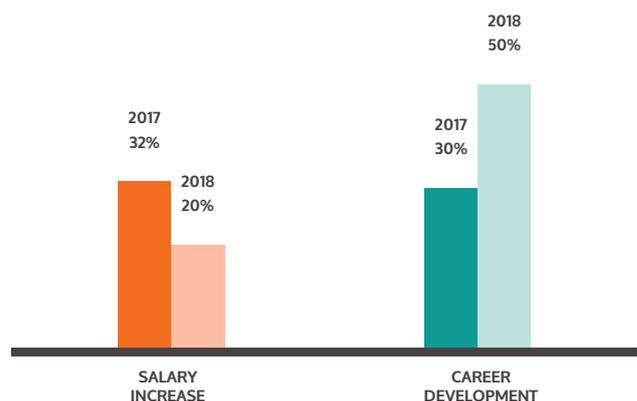
Our results showed a significant rise in candidates citing career development as the main reason they moved jobs in 2018. Half of lawyers looked to further their career prospects, compared with 30% the previous year.

The chance to manage teams and step away from purely transactional/advisory work into strategy-focused projects is a strong pull for many lawyers; and these opportunities are more common at the senior level. However, a high level of talent at the AVP/VP level has resulted in considerable competition for these roles.

Ambitious lawyers who have strong commercial acumen

are therefore keen to develop their skillsets and land any available high-profile positions, such as Directorships and Heads of Legal. They are unlikely to apply for jobs that don't offer pathways to these roles, choosing instead to stay with their current employer until the ideal opportunity arises.

Why did you look for another job?



Importance of pay falls

Salary and career development have traditionally been the two primary motivators when employees start searching for jobs. As we've seen, career development held its position, but the proportion of in-house lawyers who cited salary as the main reason for switching roles dropped from 32% in 2017 to 20% last year.

Remuneration isn't generally the top priority for many lawyers moving in-house. The generous salaries available in private practice ensure most professionals who are financially motivated are likely to seek opportunities at Magic Circle or elite US law firms instead. However, our findings suggested lawyers who have already made the switch in-house may be growing increasingly unhappy with pay after seeing their private practice peers receive huge salary hikes.

Just 53% of professionals now feel they are adequately compensated for their work. Salary dissatisfaction was also cited by 48% of respondents as the aspect of their current job they'd like to change the most, far more than any other factor.

More workplaces offering flexibility

Nearly three-quarters (74%) of lawyers say they have the chance to work flexibly with their employer, which is a marked increase from 65% in 2017. A healthy work-life balance remains appealing, with 74% of candidates wishing they had even more flexible working opportunities. This matches a broader trend in the UK, with a Timewise study showing 87% of British employees either already work flexibly or say they want to.²¹

Employers appear to be taking note, with banks increasingly offering family-friendly options that allow staff to work from home, start late or leave early to perform school runs. Impressive cloud platforms and remote working systems are also creating seamless working environments, particularly at tech-savvy businesses. Lawyers have begun to expect flexible working options as standard, so organisations that fail to offer these perks are likely to struggle sourcing top talent in the future.





What recruitment challenges did employers face?

More than three-quarters (76%) of departments recruited or attempted to recruit lawyers in 2018. Here are some of the problems they encountered:

Deeper skills shortages

The battleground for talent is fairly competitive across most sectors, and sourcing candidates with the right technical skills remained the biggest challenge for 45% of clients last year. A further 32% said finding lawyers with the right interpersonal skills was their main recruitment dilemma.

Certain technical skills are very difficult to find, including expertise in structured finance, derivatives and corporate advisory. These backgrounds, as well as regulatory lawyers who can help with GDPR, MiFID II and Brexit, are a key focus for employers looking to strengthen their legal departments in 2019 and beyond.

Some employers have become more flexible and think outside the box whenever they can in an effort to hire lawyers with the right adaptable skillset, even where applicants don't have direct relevant experience.

Personality is crucial in situations where there is flexibility regarding skills. Candidates who are confident, engaging and have the desire to learn in interviews can have the upper hand in agreeing terms.

Dan Conway
SENIOR CONSULTANT

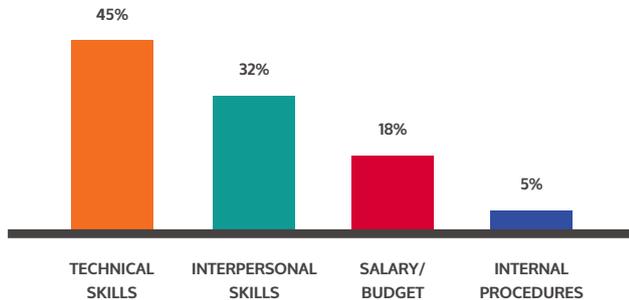
The push for permanent staff

Secondments are a valuable way for many lawyers to gain commercial knowledge and 30% of employers said they wouldn't consider private practice candidates without this experience. However, certain clients are showing greater interest in recruiting permanent staff, leading to reduced reliance on both secondees and contractors.

Over six in 10 (62.5%) in-house legal vacancies last year were expansion hires and growth in key markets has led to increasing demand for product-centric lawyers. For example, a booming leveraged finance field means professionals with expertise in this area have often enjoyed multiple job offers. UCITS and regulated funds lawyers are also highly sought-after, and this trend shows no signs of abating soon.

A preference for permanent staff during a time when the Cravath Effect is in full flow and fewer candidates are considering switching jobs makes the difficult task of finding people with niche product skillsets even harder.

What is your greatest recruitment challenge?



Employers still expect the best

Budget constraints were the biggest recruitment challenge for 18% of clients last year. More than half (55%) also admitted salary increases among private practice firms have made in-house legal hiring more difficult.

Some employers may be willing to meet higher salary demands due to skills shortages, but they still insist on high-calibre applicants when increasing headcounts. This is perhaps why 60% of candidates searching for a new job found the task more difficult last year than they were expecting, despite a fairly shallow talent pool.

Skills shortages are taking their toll on firms, but lawyers who are expecting an easy ride may be disappointed. Employers will be taking no chances, as they don't want to be hiring again in six months if an applicant doesn't work out.

Candidates moving from private practice can expect to be asked why they are willing to take a significant pay cut to move in-house, particularly if they haven't spent much time at a law firm. Hiring managers may also be reluctant to take on people who have job hopped several times in recent years.

Tom Boulderstone

HEAD OF LEGAL, COMPLIANCE & FINANCIAL CRIME

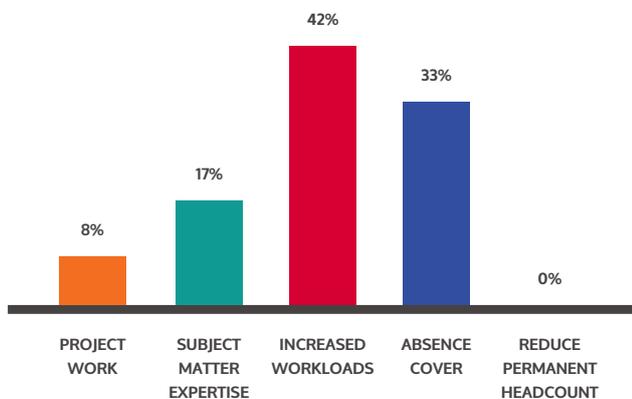


Interim staff help plug gaps in expertise

Many organisations turned to interim staff to help them plan and implement changes for MiFID II, GDPR, PSD II and other regulations, resulting in a busy year for legal contractors in 2018. While many of the deadlines came early in the year, remediation is an ongoing concern, and 80% of contractors were in work at the time of our survey (September 2018). Even out-of-work contractors shouldn't expect to be on the shelf for long though; 75% of professionals were able to land a new contract within three months and one-quarter did so immediately.

New regulations sucked up contractor resource both directly and indirectly, as some permanent lawyers were pulled across to work on projects while interim staff temporarily backfilled their roles. Meanwhile, ongoing issues surrounding Brexit continue to create demand, with many firms using contractors to plug gaps when clients are struggling to find permanent employees.

What is your main reason for hiring contractors?



The largest proportion of organisations (42%) cited increased workloads as the primary reason for using interim resource, while one-third needed contractors to cover for absences such as maternity leave, sickness and resignations. Subject matter experts and project work were the focus for 17% and 8% of respondents, respectively. No employers sought contractors to keep headcounts low, which supports our findings that most businesses are hiring to expand permanent workforces.

Increased workloads formed the bulk of contractor activity last year, which is hardly surprising given the sheer volume of regulatory changes. Planning for the UK's separation from the EU has also been a key driver of work for interim staff within legal departments.

Cross-border regulatory specialists are highly in demand, particularly contractors with UK and European regulatory experience. We expect organisations to continue needing highly skilled contractor staff well into 2019 to assist with Brexit and new upcoming regulations.

Brian Monteith
CONSULTANT



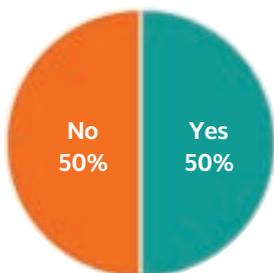


Looking ahead to 2019

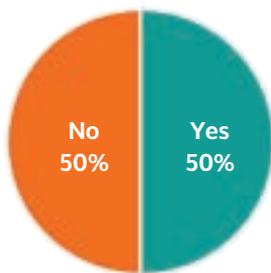
More legal departments felt adequately resourced last year than they did in 2017, but half still believe they're not sufficiently prepared for the workloads they face. What does this mean for 2019?

A snapshot of in-house legal for 2019

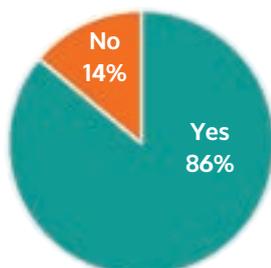
Are you adequately resourced?



Will you need to recruit?



Are you satisfied with your recruitment model?



All quiet on the regulatory front?

This year may be slightly more subdued from a regulatory standpoint, but important changes are still on the horizon, including the Senior Managers & Certification Regime (SMCR). Firms must have systems in place by December 2019, with SMCR dramatically increasing accountability for senior employees within financial services. We also expect numerous vacancies for lawyers who can navigate banks through the Central Securities Depositories Regulation.

In 2019, departments must take a more integrated approach across the entire company, as they are now under scrutiny in multiple areas following last year's regulatory overhauls. How is the business using customer data? What fees can firms charge? Who is ultimately responsible for failings? These are just some of the questions legal professionals must help answer this year.

Expansion on the horizon

Only 50% of employers expect to recruit in 2019, but our previous surveys show respondents often underestimate their future hiring needs. Last year, only 56% said they would be adding to headcounts in 2018, yet more than three-quarters ended up advertising vacancies.



We expect a similar pattern to emerge this year, particularly with organisations seeming optimistic about growth. As previously mentioned, 62.5% of legal departments intend to focus their 2019 recruitment efforts on expansion, while less than one-third (31%) feel they'll only require replacement hires. A smaller proportion (8%) are looking to bring on full-time lawyers to work primarily on projects.

Recruitment growth may also be sector-specific, as the FCA continues to shine a spotlight on different areas of financial services. CFD and spread-betting firms faced increased scrutiny over the last two years, and experts predict leveraged finance and other industries may undergo similar investigations in the near future.

Embracing innovative change

Technology is already revolutionising many in-house legal departments, and we expect this trend to gain mo-

mentum in 2019. Hot desking has helped organisations reduce office space and costs, while offering candidates the flexibility they now expect in the workplace.

Lawyers themselves are also embracing technology, with more candidates expressing their desire to work in smaller, trendier fintech firms. Experience within these environments is likely to prove invaluable regardless of an individual's desired career pathway. This is especially true as incumbents focus more on the technology side of consumer banking, such as wearable devices, phone payments and open banking.

Professionals with a tech background or with specific product knowledge in innovative areas are already seeing their stock rise and this will only continue over the coming years.

05

Q&A with Ehsan Haque General Counsel and Company Secretary at Lendingblock



We regularly sit down with significant figures from the in-house legal industry to get their perspective on key trends within the market. This year, we spoke to Ehsan Haque from Lendingblock. We'd like to thank Ehsan for his contribution and welcome our readers' thoughts on what he had to say.



Tell us a bit about your background

I'm currently General Counsel and Company Secretary at Lendingblock, a fintech start-up. We're building out a cryptocurrency lending platform aimed at institutional clients, which already has regulatory approval in Gibraltar and we're looking to be regulated in the US next year. I'm the Head of Legal & Compliance, so the Head of Gibraltar Compliance/MLRO and Head of Compliance & Risk both report into me. I sit on the management executive committee and report to the CEO. Prior to that, I spent 16 years in financial services/investment banking as an in-house lawyer, mainly as an equities and derivatives sales and trading lawyer. I've been a career in-houser, although I trained at Slaughter and May.

What prompted you to become a lawyer?

Funnily enough, I went to law college as I wanted to train the analytical side of my brain rather than be a lawyer. I did consider being a media lawyer but couldn't get a training contract, so I got into investment banking completely by accident!

What attracted you to the fintech sector?

After many years in banking, I really wanted to do something different and this was the perfect platform. The role is so varied and broad, with all the regulatory and legal challenges that come with building out this platform. There is strategic and commercial advice, as well as more generic work (CoSec, IP, employment). It's a fantastic role - the most interesting thing I have ever done by a country mile! It's a cliché, but no day is ever the same. I love the fact that we're building and creating a market infrastructure product.

As a fintech, do you believe your in-house legal department is more open to adopting disruptive technologies?

Yes, definitely. The office environment is effectively paperless here and our contractual documentation is essentially all stored on the cloud. We rely on apps such as Dropbox for document storage and the bulk of our platform documentation will be automated now, as we've created detailed templates. If I'm being honest, getting

used to this set-up took some time when I arrived, but the system creates efficiencies as long as we manage it properly.

What has been your biggest challenge in 2018?

The product itself is very complex, so trying to overcome that and tackle a variety of complex technical challenges with considerable legal and regulatory difficulties has been interesting. It's not for the faint hearted. The regulatory environment with these types of asset class are arguably the greatest challenge. We're in constant discussions with the regulators here, the US and Gibraltar.

What do you foresee being the greatest challenges affecting your industry in 2019?

I'd say the global regulatory approach to the underlying crypto assets is key as it dictates how and where we can do business because we have a global client base. More broadly, managing the different areas of global regulatory risk is paramount.

What impact do you think data analytics, the cloud and AI will have on legal departments?

I think these technologies will have a significant impact with regards to how departments function, specifically their resourcing and how they deal with commoditised or flow work. The question is one of how to best use in-house legal resource more efficiently and whether the use of these technologies can help General Counsel or Heads of Legal make that assessment. Used successfully, technology frees up time for in-house lawyers to advise the business and add value, rather than spend time on work that may be necessary but lower value. We also need to be creative around document storage solutions.

What effect do you think Brexit will likely have on your industry?

I'd say minimal in relation to our specific business model, but it'll have an impact on financial services generally without a doubt. Much depends on the passporting analysis. Uncertainty is always difficult to live with, and these are particularly uncertain times.



What advice would you give to people pursuing a legal career?

The profession is changing now, with a variety of career paths that a young lawyer could take. I'd say it's always good to have a plan and have an idea as to why you are doing it and where you want to be with career plans. But remember to have a flexible and pragmatic mindset; explore all options and never discount anything because best-laid plans don't always materialise. Always be prepared to learn and do new things, which goes for me as well. Build a network, find a mentor and be nice!

Legal is among the most diverse of corporate governance departments. What lessons can risk, compliance and other functions learn from legal?

That's an interesting question. I agree that legal departments are now able to reflect diversity in their hiring, which can only be a positive thing. That said, I think there are elements of legal where diversity may not be a priority and negative perceptions are still attached to the profession regarding who it hires. I think hiring managers must look beyond a set of academic results and concentrate more on aptitude and attitude. They should focus on the overall ability and non-academic behavioural skills of the individual and look 'outside the box' for those behaviours, regardless of background, ethnicity or sexual orientation. However, I'm also a believer that recruiting people from a diverse range of backgrounds can be very beneficial for organisations, so it's important not to disregard able candidates due to their background.

“ I think hiring managers must look beyond a set of academic results and concentrate more on aptitude and attitude ”

What diversity-led recruitment methods do you believe achieve the best results for businesses?

When I was at Nomura, I participated in a mentoring scheme for under-privileged children in Tower Hamlets. That was very successful in switching young people on to the possibilities of a finance career, which is perhaps not something they had previously considered. We arranged work experience for them in my legal team, which was based on a trading floor. I know a few who loved the experience and went on to start careers in finance as a result. They may not have been so aware of these opportunities had they not been mentored. It was a humbling and rewarding experience, and clearly had a very positive impact. Some of my mentees are still in touch; one just started a graduate scheme position at Grant Thornton after getting a first-class honours degree, which is an amazing story.



“Some of my mentees are still in touch; one just started a graduate scheme position at Grant Thornton after getting a first-class honours degree, which is an amazing story”

What things would attract you to a CV when you're looking to hire?

I look for the ability to actually do the job, some interests in life outside an office and also the life/soft skills that

aren't always visible in a set of exam results on paper. I'm interested in attitude and aptitude, so I'm less concerned with a brilliant set of academics if the individual can't communicate. The ability to communicate is essential to life as an in-house lawyer. Ultimately, technical excellence is only one of the skillsets you need to be a successful lawyer, either in-house or in private practice.

When hiring is there anything on a CV or in an interview that will put you off?

People need to have an idea as to why they're applying. They should have questions and expect some conversation with me when looking to join. Any examples of a lack of interest or a surprise when asked to do something a bit different is a big no for me. If someone can display the right mindset then that's half the battle won.

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Legal recruitment: A sector analysis

Every industry had unique challenges and opportunities for in-house legal professionals in 2018. This analysis drills down into the data to draw out key insights for each sector.





Retail banking



REBECCA GARLAND
Associate Director

The banking sector has been hiring across the board in 2018. Demand for MiFID II, Brexit and GDPR lawyers led to significant headcount rises across many financial institutions. There has also been growth within the digital space, as banks seek to develop their digital offerings.

Salaries remain competitive, with certain roles seeing healthy increases as organisations continue to wage a war for the best talent. The Cravath Effect means many lawyers moving in-house from Magic Circle and US law firms have high salary expectations. EU and UK banks often struggle to meet these demands, but excellent pension and insurance packages can soften the blow.

The opportunity to enjoy a better work-life balance and bonuses that aren't based on billable hours are also attractive to many lawyers. Culture wise, we're seeing candidates choose buy-side firms over banks. Many have cited a combination of smaller team sizes, lucrative bonus packages and less aggressive environments as the primary reasons.

Certain clients are beginning to reduce secondees and contractor use, but most new roles are replacement hires. Some banks have chosen to juniorise senior positions, replacing Directors and Executive Directors with AVPs and VPs to reduce costs and secure fresh talent for top-heavy teams.

Insurance



DAN CONWAY
Senior Consultant

The insurance industry enjoyed a big year in 2018. There were several sizable mergers, including a lot of established players in the market selling off large chunks of their portfolio to reduce risk and release capital for new investment.

Due to pricing pressure on global insurance markets, many businesses have been acquiring Lloyd's insurance entities to establish themselves in the London markets. Other firms are also being bought to help organisations diversify their offering and de-leverage risk.

The Insurance Distribution Directive has increased the need to hire talented, non-contentious insurance candidates. Meanwhile, demand for skilled insurance distribution lawyers and non-contentious regulatory lawyers continues to drive up the price of this small talent pool. Private practice firms generally have small non-contentious teams, so businesses must pay a premium to secure the cream of the crop.

Despite a rise in activity, insurance continues to pay lower salaries than many other financial services businesses due to profitability being tightly squeezed in recent years. Lawyers who have transferable skillsets often seek bigger salaries by switching to other types of insurance business or more commercial roles.

Investment management



TOM BOULDERSTONE
Head of Legal, Compliance & Financial Crime

The industry faced considerable scrutiny last year, with the FCA's consultation paper into asset management highlighting the importance of clearer fees and better governance. All firms now need candidates to have a detailed understanding of the particular investment products they specialise in when looking for fund lawyers.

MiFID II was the key driver of regulatory hiring within the sector, although UCITS knowledge also continues to come at a premium, as so few private practice lawyers have direct experience in this area.

Salaries can be among the highest in-house, but there is significant variance between firms regarding what they can pay. Hedge funds and private equity have higher compensation than many traditional asset managers. Those that don't pay top salaries either have to be flexible with experience or look to attract people at certain stages in their lives.

Work-life balance can be a key differentiator here, with a normally clear correlation between earnings and hours worked. Nevertheless, asset management offers attractive opportunities for many lawyers because the sector is seen as more relaxed than banking but more established than fintech.

Wholesale financial markets



REBECCA GARLAND
Associate Director

We've seen a mixed bag of results for legal recruitment across wholesale financial markets. Certain industries - such as leveraged finance and structured products - have been buoyant, with salaries rising for lawyers who have these specific skillsets.

But healthy activity in these areas has been offset by drops in demand for M&A/transactional lawyers. The brokerages sector has also struggled to attract and retain talent due to cultural perceptions, with candidates sometimes steering clear of an industry they feel is low paid and aggressive.

As mentioned earlier in the report, heightened regulatory focus on CFD and spread-betting laws mean many of these businesses shrunk in 2018. This created opportunities for lawyers who can help these firms comply with new regulations. In fact, regulatory lawyers have been in-demand across wholesale financial markets to ensure companies are adequately prepared for MiFID, EMIR and other changes.

With regards to remuneration, moving from private practice to a US bank or investment bank will usually result in smaller sacrifices on basic salaries than switching to other in-house departments. Candidates will also receive higher bonuses. However, these roles are unlikely to result in a drastically different work-life balance, which is often a key factor in why lawyers move in-house in the first place.





Consultancies



TOM BOULDERSTONE

Head of Legal, Compliance & Financial Crime

Both the permanent and contract legal markets have been very busy within consultancies this year. The Big 4 remain active across nearly every area, while smaller firms utilised the IR35 changes to win smaller projects and then recruit interim staff to fill workforce shortfalls afterwards.

We've seen a surge in commercial contracts roles at consultancies, whereby a lawyer might work with a small handful of clients. Internal contracts, IT and procurement roles have been busy, especially on the tech side, as there is a chance to be a true thought leader at the forefront of the industry.

As with financial services, the consultancy space provides a broad scope of work and there are options to become involved in various interesting projects. This is appealing for many lawyers, with the Big 4 always a significant draw for professionals who want an impressive name on their CV. There are also opportunities to be seconded within clients, allowing candidates to gain experience working across different sectors.

Salaries continue to be lower in the consultancy space. This is the case even within the Big 4, as the names are enough of a pull factor to attract talent. The work-life balance varies, but flexible working is generally available, including work from home options.

Fintech



DAN CONWAY

Senior Consultant

We've seen steady growth in hiring across fintech. Disruptive by nature, the industry is seen as sexier to many candidates than other, more traditional opportunities. A greater variety of work is available and lawyers can act in a more business-oriented manner.

Many senior lawyers are therefore willing to take salary cuts to move into the entrepreneurial, dress-down environments that fintechs offer. These firms recognise governance as a key requirement and are offering long-term incentive plans that can be extremely lucrative for lawyers who contribute to the company's success.

Cryptocurrencies and blockchain have dominated the press this year, resulting in sizeable hiring growth. Usually risk-averse lawyers are keen to seize the opportunity to move into this space and do ground-breaking work, such as shaping regulations. The long-term opportunities are harder to predict, as the products used in the crypto space are fairly contentious and views across the industry vary wildly.

Payments is another area of fintech helping drive legal recruitment, with innovative firms challenging the status quo. These opportunities hold considerable appeal to top talent who have strong tech and payments expertise. The introduction of PSD II and other new payments regulation has further increased demand for highly qualified regulatory lawyers.

Commerce



TOM BOULDERSTONE

Head of Legal, Compliance & Financial Crime

There were several busy areas within commerce in 2018, including:

- GDPR;
- Digital Content Directive;
- Platform-to-Business Regulation; and
- Directive for the Online and Distance Sale of Goods.

GDPR was the key driver affecting legal recruitment, as businesses sought talented commercial lawyers with data protection and commercial contracts experience.

US companies, particularly tech firms, increasingly see Europe as a massive growth opportunity and specialist UK lawyers are needed to lead the charge on tech contract negotiations to ensure GDPR compliance.

High-quality lawyers can provide the peace of mind needed that watertight deals are in place, minimising cash flow and profitability risks. Unfortunately, the candidate pool is limited, with many law firms lacking specialist commercial contracts lawyers. These functions are now generally a part of TMT/corporate lawyer roles, which is driving up salaries as businesses compete for talent across the UK.

Overall, salaries trend lower than in financial services and private practice. Even commerce organisations based in central London aren't offering similar compensation to financial services and private practice firms. Lower salaries have traditionally been offset by a better work-life balance, but flexible working has improved dramatically in financial services, whereas commerce pay has failed to keep pace.





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Conclusion

The Cravath Effect continued to have a noticeable impact on in-house legal recruitment in 2018. More lawyers are willing to stay in private practice longer to take advantage of lucrative remuneration packages, while those hoping to move in-house have ever-increasing salary expectations.

There is now fewer high-quality candidates at a time when regulatory headwinds appear to be reaching their peak. The search for top talent has intensified, as employers struggle to find candidates with the right combination of technical and interpersonal capabilities to help businesses resolve challenging legal issues.

Heading into 2019, firms are keen to expand their legal departments. However, they may need to emphasise the career development and flexible working opportunities on offer at their firm to offset the inevitable salary reductions for candidates moving from private practice.

Ultimately, the in-house legal landscape is becoming harder to navigate for both candidates and clients. This is where the right partner who understands the market can help guide the way.

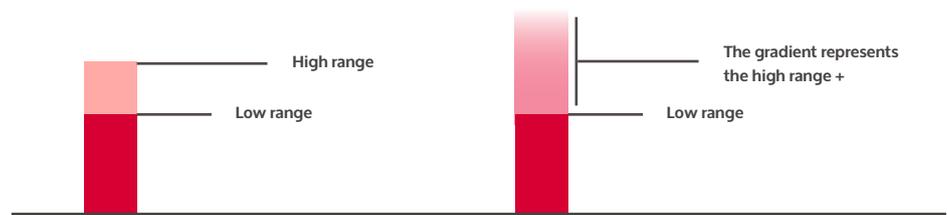
08 Salary guide

Barclay Simpson analyses the salary data that accumulates from our UK in-house legal placements. The salary ranges quoted are for good rather than exceptional individuals and don't account for other benefits such as bonuses, profit-sharing arrangements and pension benefits.

For further information about salaries in the legal market contact Tom Boulderstone at tgb@barclaysimpson.com

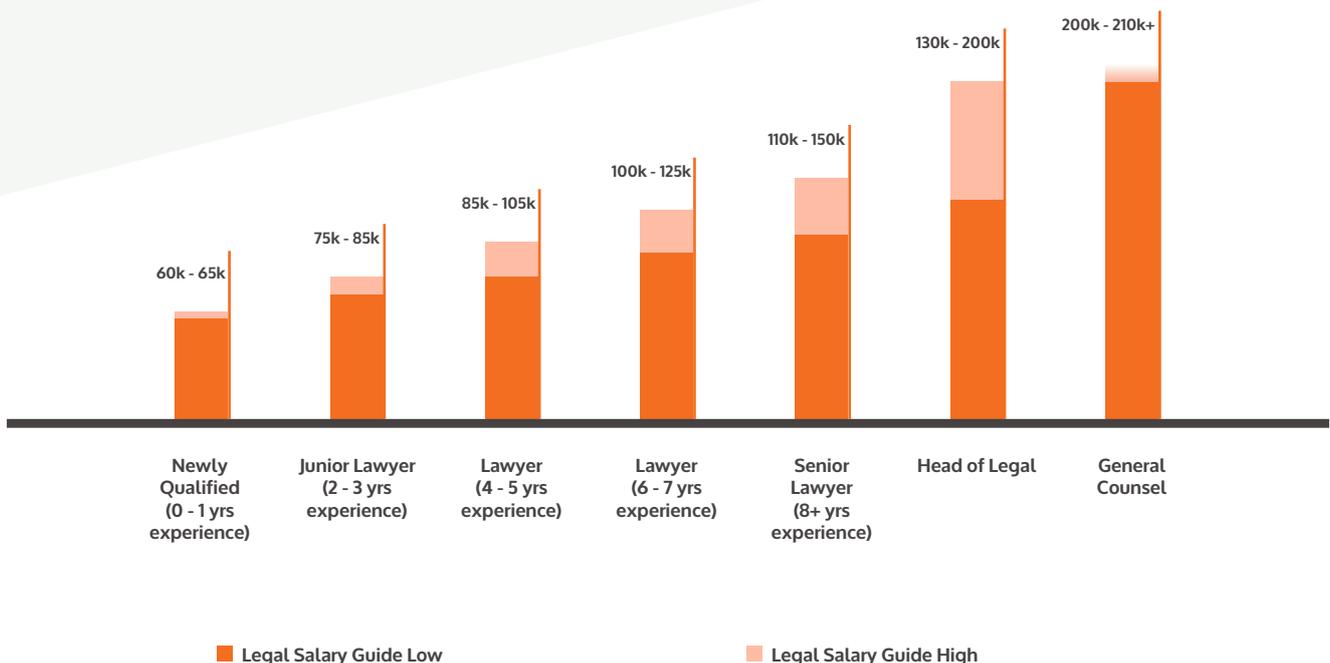
Key

Each bar shows the low and high salary range:



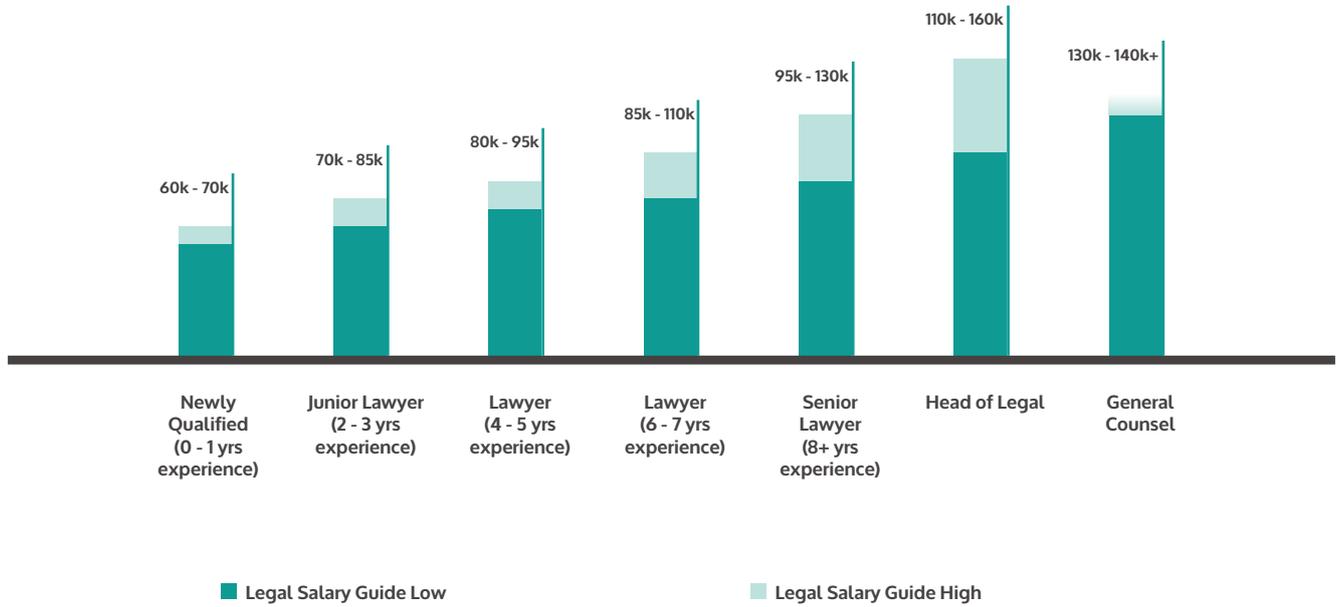
Investment Banking

Gross annual salary in GBP



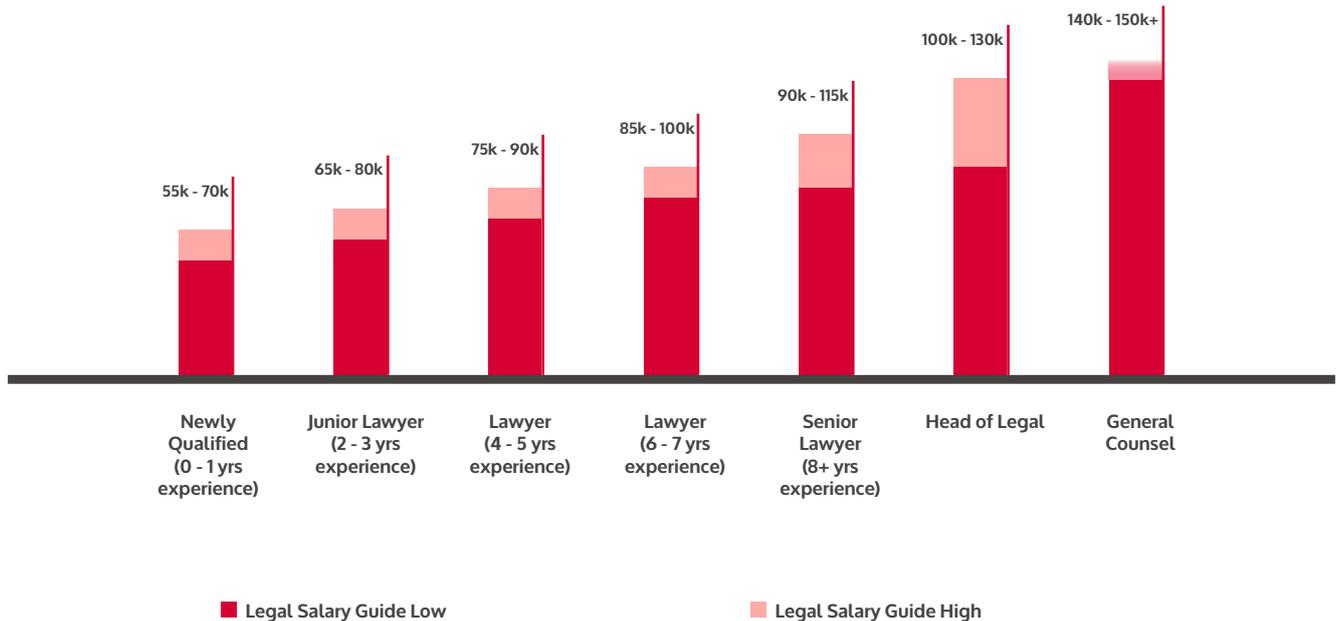
Asset Management/Wealth Management

Gross annual salary in GBP



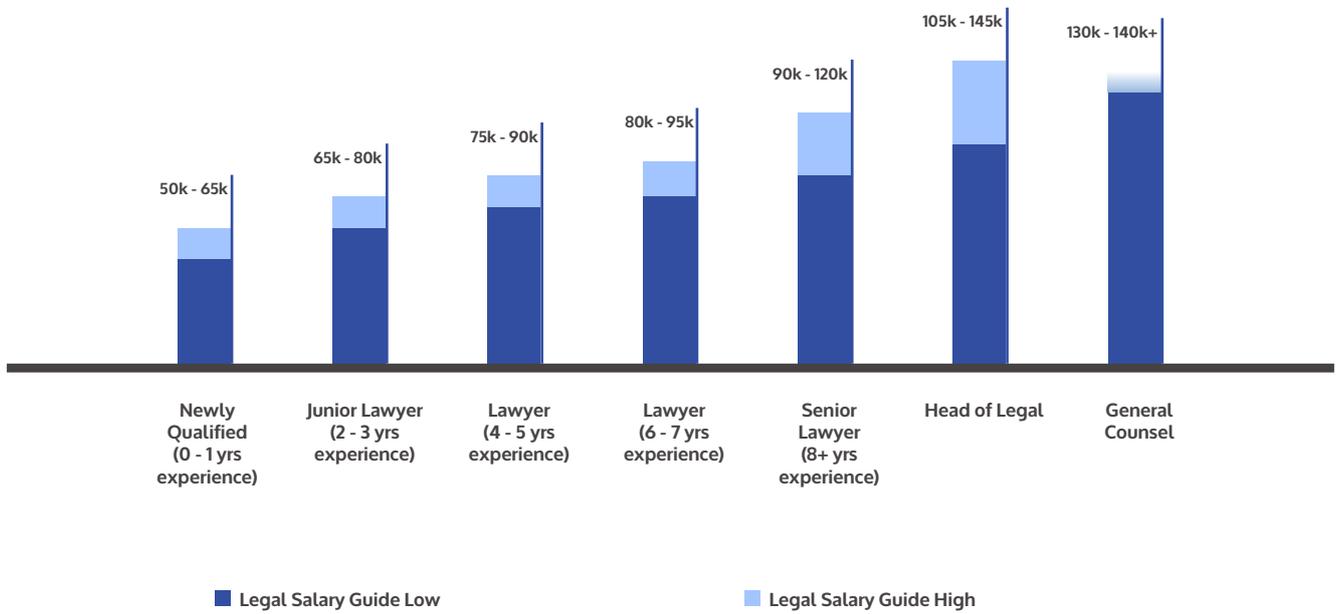
Retail Banking

Gross annual salary in GBP



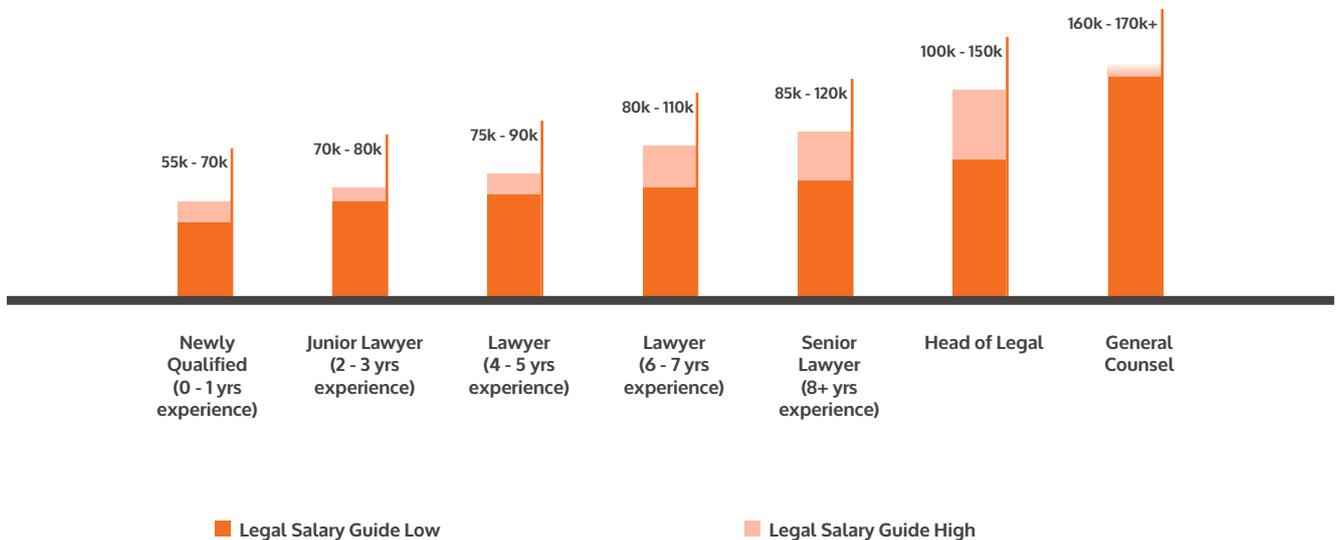
Insurance

Gross annual salary in GBP



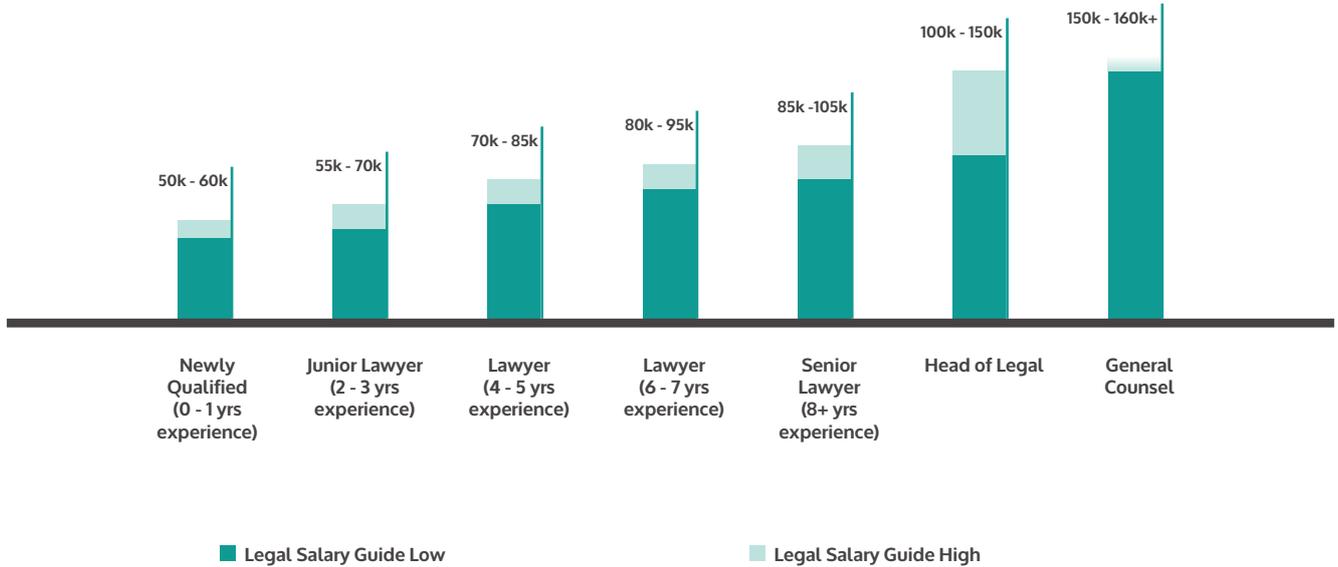
Commerce - FTSE 100 (or equivalent multinational company)

Gross annual salary in GBP



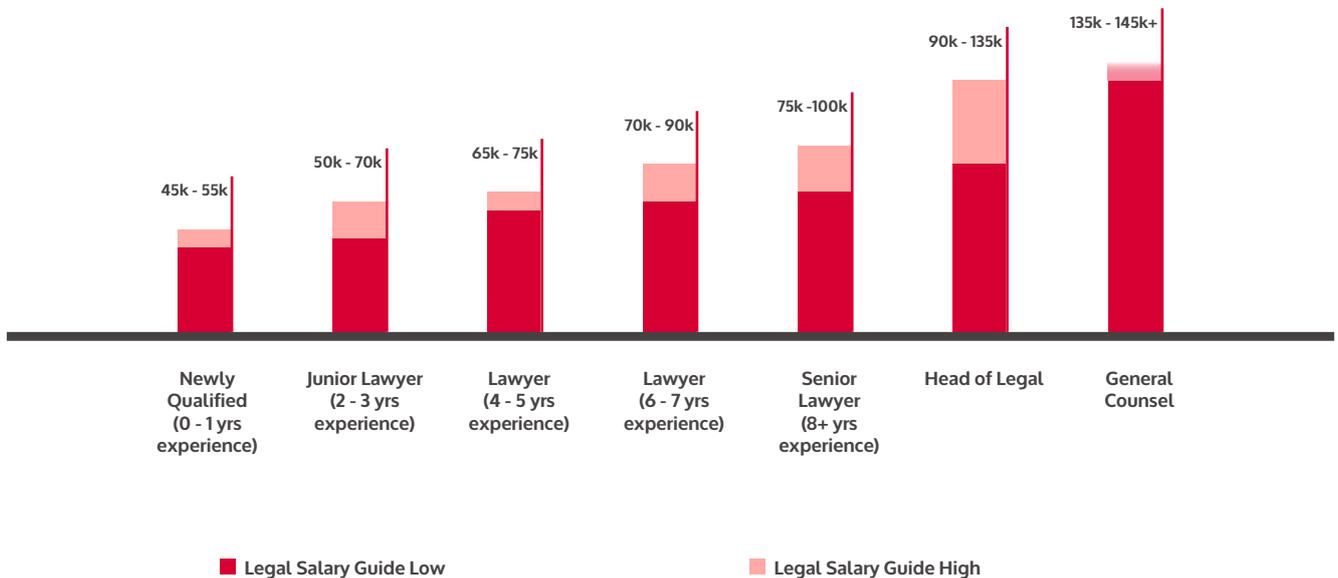
In-house Commerce - FTSE 250

Gross annual salary in GBP



In-house Commerce - SME

Gross annual salary in GBP



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Our strength lies in our ability to understand client and candidate needs and then use this insight to ensure our candidates are introduced to positions they want and our clients to the candidates they wish to recruit.

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