



high quality services



Finding talent to identify with your **vision**

**Hong Kong & PRC Salary Survey
2007**

WELCOME

Welcome to the Naiman Clarke Hong Kong and PRC Salary Report for 2007. The legal recruitment market in Hong Kong and China has continued to grow exponentially this financial year, with sustained interest from all law firms in foreign-qualified lawyers ensuring the market remains very buoyant. Whilst there is a limited number of lawyers within the market itself, we have noticed an increasing amount of foreign-educated and / or experienced lawyers returning from Europe, the US and Australia. There has also been far greater interest in Singapore as a recruitment ground, with many firms taking on an increasing number of lawyers from Singapore in their PRC-based offices over the past 12 months.

Interestingly, the limited supply of quality lawyers has not resulted in particularly high salary increases over the past year, but it has been noticed that most firms have relaxed their strict recruitment criteria for some of their roles to take advantage of top quality candidates without language skills / from less traditional jurisdictions.

Almost all firms report plans for further growth over the next 12 months, and will face the same challenges of attracting highly skilled staff with Chinese language abilities. Perhaps because of this competition, it is expected that most firms will increase salaries by an average of 6-8% in their 2007 salary review.

Thank you to all the clients who assisted with developing and contributing to this year's Salary Survey.

Best Wishes for a successful 2007 – 2008 financial year - Naiman Clarke look forward to working with you all.

Andrew Cleary
Senior International Consultant



INTRODUCTION

The present salary survey reports a wide range of salaries and additional benefits offered by a cross-section of UK, Australian, US, and Hong Kong based law firms covering both the top and mid tiers. Whilst the report shows a wide range of salaries at most PQE levels, increasing with seniority, it is also easy to distinguish what we would call clear 'market' rates at each PQE level. Candidates are increasingly savvy users of legal guides and salary surveys, and will usually have a very strong idea of 'market rates' before they begin the interview process.

Average Newly Qualified Lawyer's Salary

HK\$65,000 / month

It was determined that at some senior levels, salaries differ by as much as HK\$73,000 / month, with lawyers who are bringing in new clients or winning business being rewarded above their peers in salary as well as bonuses. Up to 75% of firms offer additional performance bonuses at an average of 12.5% of a lawyer's annual salary.

In relation to fringe benefits, the salary survey shows that the majority of law firms offer their employees health insurance across both Hong Kong and the PRC, while paid study and paid study leave appear to be an incentive that is practiced more in Hong Kong. Other popular perks adopted across Hong Kong and the PRC include the payment of professional memberships, opportunities for secondments, and professional training programmes. A select few firms also offer less traditional incentives such as the provision of 'after hours' meals, use of the company boat, and the option of working flexible hours. Some perks are also made available to certain groups of employees, such as the payment of gym memberships for senior lawyers.

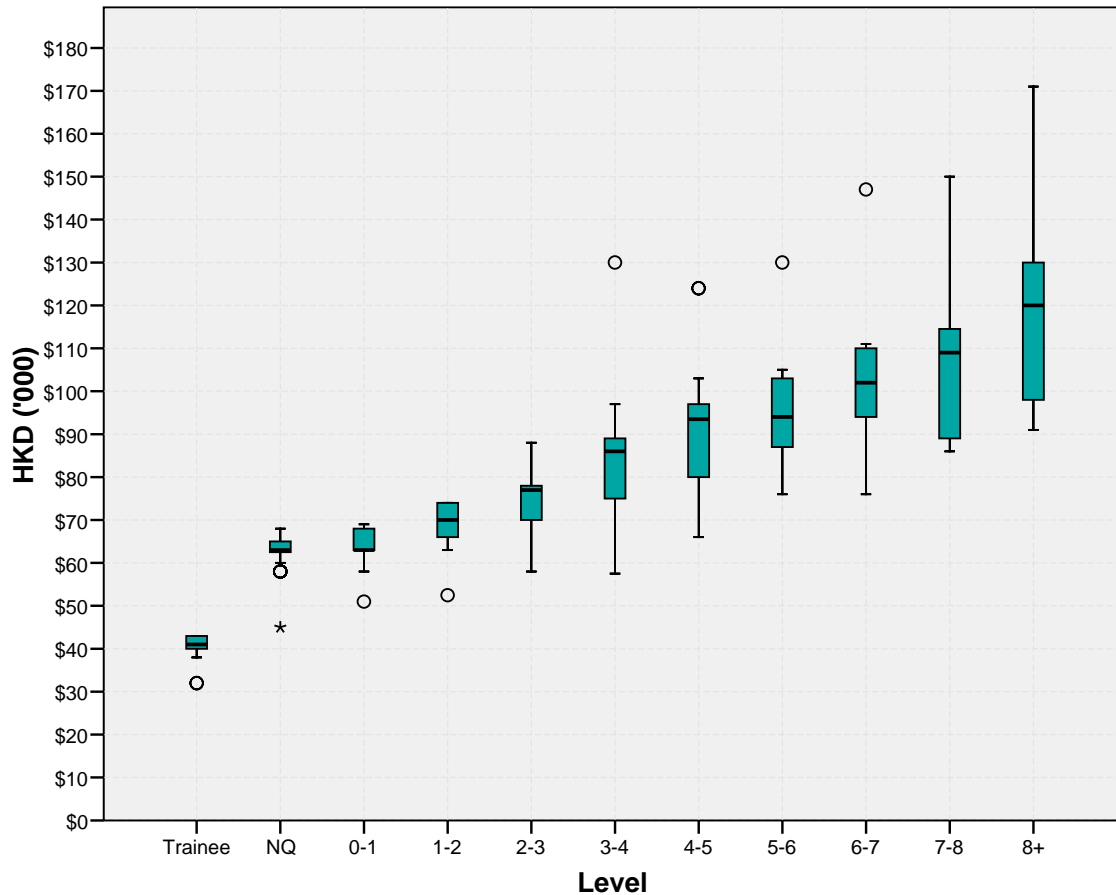
Firms offering Performance Based Bonuses

75%

Relocation packages are available at 88% and 71% of Hong Kong and PRC firms respectively, the majority of which include an allowance for flights from the candidates' original country of residence, as well as flights for the candidates' immediate family, 4 weeks accommodation and a fixed amount to cover shipping of personal effects. In some cases, relocation assistance is only available when lawyers move from an international office of the same firm, and is often adjusted when a candidate relocates with a spouse.

HONG KONG SALARY

HONG KONG LAWYERS HKD ('000) – PER MONTH



PLEASE SEE APPENDIX A: HOW TO READ A BOXPLOT

Analysis:

The Hong Kong salary survey was conducted by various UK, US (that pay local, not US-pegged salaries), Australian, and top local law firms. The Hong Kong offices of these firms vary dramatically in size, with the largest office consisting of over 250 qualified lawyers, and the smallest consisting of approximately 20.

The Boxplot (left) depicts 5 key aspects regarding the distribution of salaries offered by these firms:

- The lowest salary
- The highest salary
- The median salary
- The 25th percentile
- The 75th percentile

It was found that the range of salaries offered by these firms was relatively restricted, particularly at the less experienced levels, as denoted by the size of the boxes – each containing 50% of the sample.

The asterisks and small circles that fall outside these boxes represent outliers (or extreme values), indicating that some firms pay significantly more or less than most. Interestingly, there appears to be a distinct point at the 2-3 years post qualification experience level, where these outliers move from falling significantly below the median, to distinctly above. This may be an indication that while Junior to Mid Level Lawyers' salaries are capped at a certain amount, firms are willing to remunerate Mid to Senior Level Lawyers on a more case-by-case basis, with some lawyers receiving salaries that are well above their colleagues.

In terms of the scope of salaries within firms, it appears that while some law firms adjust the salaries on a relatively linear scale, others tend to follow a more logarithmic trajectory, which sees the difference in salary for senior lawyers more pronounced than among junior lawyers.

Across all firms, the most significant jump from one POE level to the next occurs between the transition between Trainees and Newly Qualified Lawyers. Contrastingly, there is a minimal difference between a Newly Qualified Lawyer and a 0-1 year Lawyer.

There is also quite a remarkable difference in the range of salaries as the level of experience increases – with Trainee Lawyers only varying by HK\$11,000 / month across firms, while salaries in the 6-7 year bracket range by almost 7 times as much. This is pictorially represented in the Boxplot by the increasing box size as they move along the x-axis. Hence, the monetary advantages of joining a top tier law firm becomes increasingly noticeable for lawyers above the 3 year post qualification experience level.

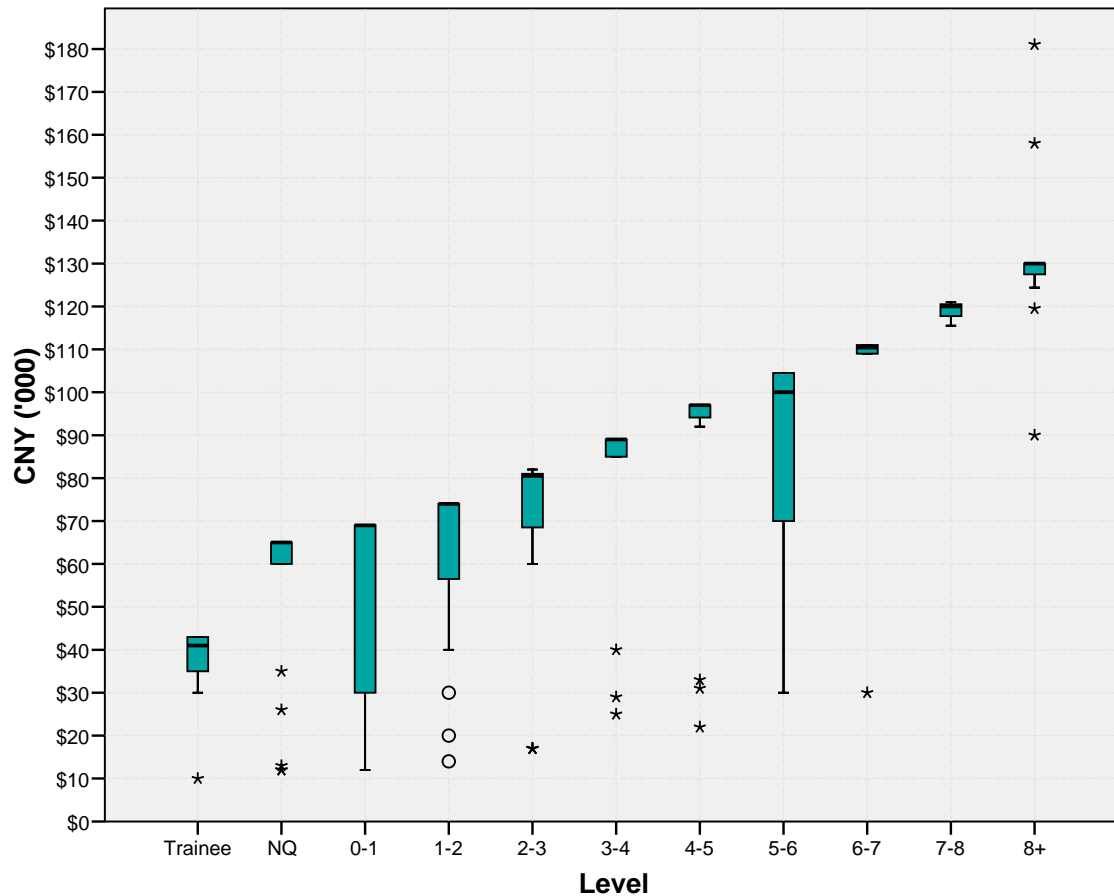
It was reported that performance-based bonuses are offered by all the firms in Hong Kong to lawyers with more than 1 year post qualification experience. Bonuses ranged from HK\$20,000 to HK\$120,000 (where actual figures were given), with most firms basing bonuses on an average 12.5% of the lawyer's salary.

Relocation assistance is offered by 88% of law firms in Hong Kong, the size of which again varies from firm to firm. The monetary values of such relocation packages range from HK\$20,000 to HK\$70,000, and cover a range of expenses, including flights and shipping costs for the self and family, and up to 4 weeks' accommodation.

Level	Mean	Min	Max	Range	Median
Trainee	\$41K	\$32K	\$43K	\$11K	\$41K
NQ	\$63K	\$45K	\$68K	\$23K	\$63K
0-1	\$65K	\$51K	\$69K	\$18K	\$63K
1-2	\$69K	\$53K	\$74K	\$22K	\$70K
2-3	\$75K	\$58K	\$88K	\$30K	\$77K
3-4	\$84K	\$58K	\$130K	\$73K	\$86K
4-5	\$90K	\$66K	\$124K	\$58K	\$94K
5-6	\$96K	\$76K	\$130K	\$54K	\$94K
6-7	\$102K	\$76K	\$147K	\$71K	\$102K
7-8	\$107K	\$86K	\$150K	\$64K	\$109K
8+	\$116K	\$91K	\$171K	\$80K	\$120K

PRC SALARY

PRC LAWYERS CNY ('000) – PER MONTH



Analysis:

The dispersion of salaries in the PRC differs significantly from that of Hong Kong – the major difference lying in the distinct scatter of outliers. This is most likely due to the fact that many law firms employ a different pay scale for locally trained and international associates – with international associates, in some cases, receiving a salary that is more than 300% of what their locally trained colleagues receive. Given very few firms had a standard means of comparing PRC associates to international associates it is hard to get uniform data on what is considered to be a NQ, 1, 2 or 3 PQE lawyer.

Despite this, it is still easy to discern a clear 'market rate' in the upper quartiles, where you would expect most international associates would lie.

It is also apparent in this case that the majority of salaries across each level of experience fall within the upper quartiles, with the highest salaries often equal or very close to the median.

The practice of performance bonuses is adopted in the PRC by 71% of firms, and again is on average 12.5% of a lawyer's annual salary.

PLEASE SEE APPENDIX A: HOW TO READ A BOXPLOT

Level	Mean	Min	Max	Range	Median
Trainee	\$36K	\$10K	\$43K	\$33K	\$41K
NQ	\$54K	\$12K	\$65K	\$53K	\$65K
0-1	\$53K	\$12K	\$69K	\$57K	\$69K
1-2	\$62K	\$14K	\$74K	\$60K	\$74K
2-3	\$67K	\$17K	\$82K	\$65K	\$80K
3-4	\$75K	\$25K	\$89K	\$64K	\$89K
4-5	\$83K	\$22K	\$97K	\$75K	\$97K
5-6	\$86K	\$30K	\$105K	\$75K	\$100K
6-7	\$97K	\$30K	\$111K	\$81K	\$110K
7-8	\$119K	\$116K	\$121K	\$6K	\$120K
8+	\$131K	\$90K	\$181K	\$91K	\$130K

BONUSES + OTHER BENEFITS

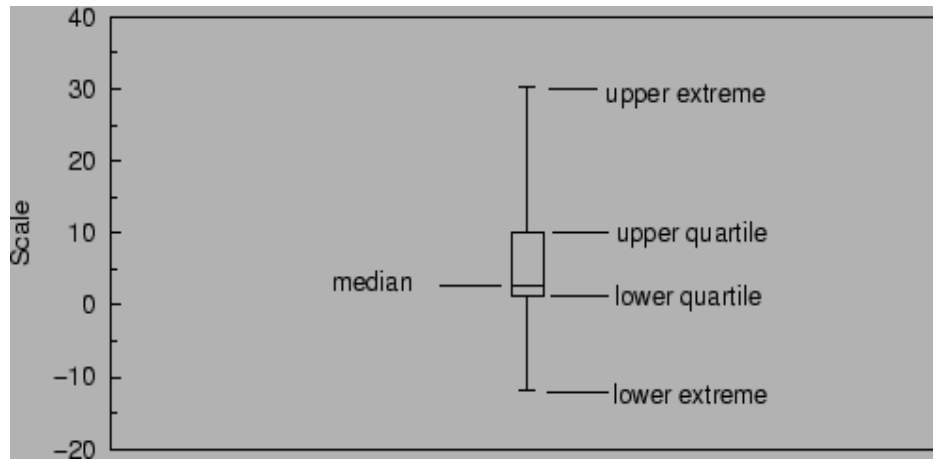
	Hong Kong		PRC	
	Yes	No	Yes	No
2.0 BONUSES				
Sign-on bonuses	0%	100%	0%	100%
Range of sign-on bonuses	<i>Not applicable</i>		<i>Not applicable</i>	
Performance bonuses	75%	25%	71%	29%
Range of performance bonuses (where actual figures given)	HK\$20,000 - \$120,000 Average: 12.5% of annual salary		CNY20,000 - 70,000 Average: 12.5% of annual salary	
Division specific performance bonuses	17%	83%	0%	100%
The divisions that are awarded performance bonuses	Legal, shared services and support		Legal, shared services and support	
3.0 RELOCATION				
Relocation packages	88%	12%	71%	29%
Range of relocation packages	HK\$20,000 - \$70,000		CNY20,000 - 70,000	
Flights from candidates' original country of residence	100%	0%	80%	20%
Flights for the candidates' immediate family	88%	12%	80%	20%
Circumstances when relocation package is <i>not</i> offered	When candidate is relocating with spouse.		<i>No response given</i>	
4.0 OTHER BENEFITS				
Other benefits offered:				
Health insurance	100%	0%	67%	33%
Training	86%	14%	50%	50%
Paid study	100%	0%	50%	50%
Paid study leave	100%	0%	67%	33%
Social activities / social clubs	71%	29%	50%	50%
Parking	14%	86%	0%	100%
Secondments	100%	0%	83%	17%
Payment of professional memberships	86%	14%	67%	33%
Payment of gym memberships	43%	57%	33%	67%
Paid religious holidays	43%	57%	33%	67%
Canteen / food provided	29%	71%	17%	83%
Flexible hours	29%	71%	17%	83%
Travel benefits	43%	57%	50%	50%

APPENDIX A: HOW TO READ A BOXPLOT

A Boxplot is a way of graphically depicting the five-number summary of the:

- Smallest observation
- Lower quartile (Q1)
- Median
- Upper quartile (Q3)
- Largest observation

In addition, the Boxplot indicates which observations, if any, are considered unusual, or outliers.



Interpreting a Boxplot

The Boxplot is interpreted as follows:

- The box itself contains the middle 50% of the data. The upper edge (hinge) of the box indicates the 75th percentile of the data set, and the lower hinge indicates the 25th percentile. The range of the middle two quartiles is known as the inter-quartile range.
- The line in the box indicates the median value of the data.
- If the median line within the box is not equidistant from the hinges, then the data is skewed.
- The ends of the vertical lines or "whiskers" indicate the minimum and maximum data values, unless outliers are present in which case the whiskers extend to a maximum of 1.5 times the inter-quartile range.
- The points outside the ends of the whiskers are outliers or suspected outliers.