



# NATIONAL FEDERATION OF PARALEGAL ASSOCIATIONS, INC. 2006 COMPENSATION & BENEFITS STUDY REPORT

## HISTORICAL TRENDS

The survey was conducted by the National Federation of Paralegal Associations in July-August 2006. A total of 1,468 individuals responded to the survey. This study has been conducted by NFPA many times over the period 1993-2006. In this period, gross salaries have climbed steadily 61% since 1993, a compounded 3.8% annual growth rate; or an inflation adjusted 15% since 1993, a compound annual growth rate of 1.1%.

- During the 1993-2006 period, bonuses rose 85%.
- 401(k) savings plans are now offered to 81% of paralegals, up from 65% in 1997.
- Pension/retirement plans are now offered to 34%, down from 45% paralegals in 1997.
- Employer paid life insurance is now offered to 77%, up from 68% in 1997, while vacation and paid sick leave have increased slowly to now cover almost all respondents.
- Fully paid medical insurance is now offered to 32%, down sharply from 52% in 1997.

In areas where data such as salaries, bonuses, raises, and overtime pay are presented for discrete numeric values, several specific statistical measures are presented:

- **Mean** is the numeric average, or the sum of all values reported divided by the total number of valid responses.
- **Median** is the midpoint, the response level for which half of all valid responses lie above and half lie below.
- **Quartiles** are the points where 25% of all responses lie below (**first quartile**) and 25% lie above (**third quartile**). This is a better measure of the range of responses than the extremes, although **maximum** and **minimum** responses are also reported.

## PROFILE

### Geographic Profile

Almost 40% of participating paralegals come from the Midwest, while one-fourth come from the Northeast and just under one-fifth each from the South and West. The primary difference in this profile from past studies is a reversal in the proportion from the Northeast vs. Midwest.

- Paralegals indicate a mean of 11.0 years of professional experience: 16% indicate 0-2, 13% 3-5, 26% 6-10, 19% 11-15, 15% 16-20, and 12% greater than 20 years.
- Almost all (93%) are full-time paralegals. They directly report to either a partner (48%), paralegal manager (10%), office manager (8%), an associate (5%), or another position (30%).
- Most (89%) are Caucasian, with some African American (4%), Hispanic (2.6%), and the remainder Asian/Pacific Islander, Native American, or other.
- Most (93%) are female.

### Educational Profile

The educational profile of participating paralegals is most often a Bachelor's degree with a paralegal certificate, cited by 32%, followed by an Associate Degree in Paralegal Studies (20%), or a Bachelor's degree in Paralegal Studies or in some other field (roughly 11% each).

- A smaller number report having a Master's degree or Ph.D., a high school diploma, or an Associate degree in another field.
- The most common field in which a degree was attained was Paralegal Studies for 45%.

## SALARY

The average current salary reported was a mean of \$50,496 and a median of \$49,000. One-fourth of paralegals report salary at or below \$40,000; and one fourth report salary at or above \$60,000.

- Mean salaries tend to increase substantially with years of total experience. Raises do as well but on a percentage basis they are proportionate to salary. Bonuses also tend to increase up to a point with experience, and overtime earnings also tend to plateau and, although they change in an absolute level, they tend to flatten as a proportion of total earnings after a paralegal reaches five years of total experience.

## BONUS

One third of paralegals indicate that they typically receive a bonus. Last year, among those who typically receive a bonus, 91% did so.

- The average bonus overall was a mean of \$2,994 and a median of \$900. One fourth of all bonuses received were \$3,500 and above; one fourth were \$2,000 or lower. The maximum reported was \$62,700; the minimum, of course, was \$0. We included zero bonuses in the average if the recipient typically received a bonus.
- Just over one-fourth received a bonus under \$1,000; while 23% received a bonus in the \$1,000-\$1,999 range; 16% in the \$2,000-\$2,999 range; 17% in the \$3,000-\$3,999 range; 13% in the \$5,000-\$10,000 range; and almost 6% received a bonus of \$10,000 or more.

### **Bonus: Total Amount by Region**

- By far the highest average bonus was reported in the Mountain Region, a mean of \$6,203 and a median of \$1,800. Although the other Western Regions (California/Hawaii and Pacific Northwest) and New England, Southeast, East South Central, and Midwest Central all report mean bonuses above \$3,000, the median bonuses are relatively consistent geographically, with medians ranging from \$500 to \$1,200.

### **Bonus as Percent of Salary**

- The average bonus as a percent of total salary was a mean of 5.5% and a median of 3.8%, with one fourth above 6.6% and one fourth below 1.8%.
- By region, the bonus has the highest proportion to salary in Mountain Region (9.5%), followed by Southwest, East South Central, Middle Atlantic South, and New England.

## RAISES

The average salary increase reported was a mean of \$2,384 and a median of \$1,000, with one fourth above \$3,000 and one fourth under \$2,000. The maximum reported was \$18,000 while the minimum was a \$1,200 salary reduction.

- The actual amount of raise is most commonly between 3% and 5%; roughly one sixth of paralegals report raises falling in each of the 3 to 4% and 4 to 5% ranges, while roughly another one-tenth each report raises in the 2 to 3%, 5 to 6% and 6 to 8% ranges.
- There is also a surprising number reporting very high increases: 15% report raises greater than 8% while on the other extreme, 20% indicate no increase and 4% indicate receiving raises up to 2%.
- By range, raises were \$0-\$1,000 for 20%, in the \$1,000-\$1,999 range for 24%, in the \$2,000-\$2,999 range for 26%, in the \$3,000-\$4,999 range for 19%, and above \$5,000 for 11% of responding paralegals.

## OVERTIME

Today 35% of paralegals are exempt employees, while before the DOL rule changes in 2005 47% were. The impact has been substantial. The average overtime received was a mean of just over \$5,000 and a median of \$3,500, with one fourth indicating earning \$6,000 or more, and one fourth earning \$3,000 or less. The maximum reported was \$75,000.

- The distribution of overtime paid is generally in either the \$1,000 to \$5,000 range, or above \$5,000; 35% of eligible paralegals each indicated earning overtime at those levels, while 21% earned between \$300 and \$1,000, and 9% indicated earning up to \$300.
- As an average ratio to salary, overtime is a mean of 8.9% and a median of 5.6%, with one fourth above 10.9%

## BENEFITS

The most common benefits offered today are vacation (reported by 93%), paid sick leave (85%), a 401(k) savings plan (81%), and life insurance (77%). Also dues reimbursement (73%), personal paid time off (71%), dental insurance (70%), and continuing legal education reimbursement (70%) are available to more than two-thirds of members.

- Less common but still available to half or more are long-term disability insurance (64%), partially paid employee medical insurance (58%), vision insurance (51%), and paid professional time off for association activities (50%). Less common are flexible scheduling (45%) or ability to work from home (29%), alternative to other more common optional approaches to benefits, such as pension retirement (34%), fully paid employee medical insurance (32%) or medical supplements (19%), or unpaid time off for association activities (15%).
- Paralegals tended to indicate a far higher proportion today receiving the most popular benefits such as vacation, paid sick leave, 401k, life insurance, personal time off, and dental insurance. . Some of this increase may be due to the fact that some respondents didn't indicate receiving any benefits prior to 2005.

## BILLING

Just under 70% of paralegals indicated that they have a billing rate. Among those who report one, by far the most common falls within the \$71-\$130 range with 15% reporting a billing rate in the \$71-\$90 range, 13% in the \$91-\$110 range, and 12% in the \$111-\$130 range. This translates into an approximate average rate that is a mean of \$111, and a median of \$106.

### Billable Hours

- A total of 60% indicated N/A or otherwise noted that they do not operate under a minimum billable hours. For the remainder, the mean is 1479 and the median 1500.

### Job Satisfaction

- When asked to rate their satisfaction with their job, paralegals give it an average score of 4.0 on a five-point scale: 35% are "extremely satisfied" and 45% are "somewhat satisfied."
- Naturally there is a strong relationship between the perception that one is well paid and overall job satisfaction. Those who say that they are fairly compensated have a job satisfaction rating of 4.4 and 52% are extremely satisfied with their job; those who are unsure have a job satisfaction rating of 3.9 with 23% still extremely satisfied; and those who say they are not being fairly compensated have a job satisfaction rating of 3.3 with only 11% extremely satisfied with their job.
- Another important indicator of job satisfaction is revealed by the fact that 11.5% answered in the affirmative that they plan to leave the paralegal field within two years.

## HIRING REQUIREMENTS

Employers most often require that applicants have a Bachelor's degree (44%), completion of an ABA approved paralegal program (40%), or some specified number of years' experience as a paralegal (38%). Somewhat less common requirements included an Associate degree (20%), a non-ABA paralegal program (8%), or a professional designation (5%). A total of 15% indicated "no educational requirement," 10% indicated "no experience requirement" and another 17% did not check any box, which we also interpreted to mean no requirements.

- Those who do require a set level of experience indicate an approximate mean of 5.5 years and a median of 4.8. One third of paralegals participating in the study indicated 1-5 years, 12% indicated 6-9 years, 9% indicated 10 or more years, while 45% provided another (often more general) response.

### Job Search

- Most commonly, paralegals indicate that they obtained their present job through a friend or colleague, followed by classified advertising or a placement firm. Fewer than one-tenth each report using the Internet, a resume mailing, receiving the position through a promotion, or moving into the position accompanying an attorney. Fewer than 5% each found the position through a school, internship, or some other method.

### Credentials Held

- Only 12% indicate that their position requires specific credentials. The most common among those who indicate "yes" are RP (42%), CP/CLA (36%), or a state specific credential (26%). Very few of those who require a credential require CLAS or AACP.

### Association Memberships/Involvement

- Most respondents indicated that they belong to at least one national and their local paralegal association (95% and 65%, respectively). A total of 7% were or had been involved in the board of a national association, while 27% were or had been involved in a local association's board.
- Respondents indicate most commonly belonging to NFPA (62%) or a state association (comprising the majority of "other" which was indicated by 40%). NALA was checked by only 8% and a combined 21% expressly indicated "none" or didn't respond to the question.

## SPECIALTY

Litigation is by far the most common specialty reported at 46%.

- Six specialties—Contracts, Real Estate, Corporate Governance, Personal Injury Defense, and Probate Estates/Trusts—are reported by between 15% and 20%. Another seven—Personal Injury (Plaintiff), Insurance, Commercial, Labor & Employment, Intellectual Property, Family, and Medical Malpractice—are reported by between 10%-15%.
- Others including Product Liability, Administrative, Personal Tort, Bankruptcy, Business Tort, Workers Compensation, Securities, Environmental, Criminal, Tax, and Civil Rights, are indicated by fewer than 10% each and "other" is reported by over 20%.
- One third of paralegals indicate being involved in one or more aspects of legal service provider selection: 22% monitor need for services, 15% each participate in the research prior to the RFP process and interview/review, with the number dropping during the stages of interview/RFP review and contract negotiation.