

Impact assessment of the deregulation of the prescribed SRA minimum salary for trainees

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Why we did the research

In 2014, we removed the minimum salary levels for trainee solicitors. The previous levels of prescribed salary were replaced with a requirement for trainees to be paid at least the national minimum or living wage. We thought salaries should be set by market forces and the profession itself and that this could help increase the number of training contracts and access to the profession.

We wanted to be able to measure the impact of this policy change on current trainee solicitors, employers and students, paralegals and others considering becoming a solicitor.

In particular we wanted to find out about the impact on the distribution of salary levels of trainee solicitors and the association between salary and diversity and equality characteristics. From the employers' perspective, we wanted to look at the type of factors considered by employers when setting salaries and the association between salary and the profile of firms that offer training contracts.

What did we do?

We analysed our data on 33,000 trainee solicitors, who started their training between January 2011 and December 2016. We also analysed the data of firms employing these trainees. We assessed the relationship between trainees' salary with the policy change, their diversity characteristics and firms who offer the training contracts.

We carried out online surveys aimed at employers, trainee solicitors and students, paralegals and others working in the legal sector, to seek their views on the impact, if any, of the removal of a prescribed minimum trainee salary.

What we learned

Increase in training contracts

- We found there has been an upward trend in the number of training contracts for trainees enrolled between January 2011 and December 2016.
- It is difficult to say whether this is due to the removal of the minimum salary or if it reflects an increasing demand for trainees.

Reduction in average pay

- On average, trainees receive £560 per year less since the removal of the minimum salary. The main cause of this is trainees whose salary is in the lowest threshold are being paid less.

Impacts on diversity

- The average pay gap between different ethnic groups has reduced since the removal of the minimum salary. This has been driven by reductions in the salaries of White trainees.

- The mean¹ pay gap between Asian and White trainees was previously £765 per year. Based on ethnicity alone, there is no statistically significant gap now.
- Similarly, the mean pay gap between the salaries of Black and White trainees has reduced from £1,850 to £1,099 but remains significant.
- The median (mid-point) salaries of both Black and Asian trainees show they earn less than White trainees.
- The main reason for the gap appears to be differences in the type of firm where different ethnic groups work. Black and Asian trainees are more likely to work in firms that pay less, such as sole practices and firms specialising in criminal, litigation or real estate work. Firms who specialise in areas such as intellectual property or corporate law pay more.
- We found the mean gender pay gap is now £460, this is an increase of £1284 on annual salary since the removal of the minimum salary. Even when we account for factors which might affect salary, such as region and type of firm worked for, female trainees are still on average earning less.
- The data did not provide evidence as to why this might be the case nor why there might have been a slight increase in the gap since the removal of the minimum salary. The gender pay gap is not just an issue for the legal sector, it is prevalent in many work sectors. Possible reasons for this are interrelated factors such as the culture of the profession, society and career choices.

Changes in trainee perceptions

- Our survey found that 94% of respondents still want to train as a solicitor but only 83% felt they would still be able to do so.
- These results are significantly more positive than the previous survey in 2012 which was conducted before the removal of the prescribed minimum salary levels, where the respective results were 68% and 50%.
- There has also been a decrease in the number of trainees saying they think their salary is too low, from 55% in 2012 compared to 46% in 2016.
- The majority of trainees (75%) and firms (82%) felt that the change had not had an impact (either positive or negative).

We concluded that a prescribed minimum salary may have artificially impacted on salaries for some groups of trainees. The picture is complex with many factors at play such as the characteristics and practices of firms, social factors and economic factors.

We do not plan to make changes to our approach in this area. It is still our view that salary levels should be set by market forces and the profession itself in the context of the law around the minimum wage and the living wage option.

Notes

1. The mean is the average of a data distribution.
2. The median gives the midpoint of a data distribution.
3. The population data for the profession shows that within smaller firms (0 to 1 partners), 32% of solicitors are Black, Asian and Minority Ethnic.
4. The pay gap was £332 before the removal of the minimum salary. The gap has increased to £460 after the removal.