
Surf's Up: Riding Compensation Tidal Wave

By: Sandford A. Lechtick

The associate salary frenzy is akin to a tidal wave. Some firms might even get washed away. But the real question is, "How will this affect associates, a pillar of a law firm's infrastructure?"

A day or two after Gunderson made his noteworthy announcement, there was more executive committee hand ringing than I've seen in years. Soon, what started as a Silicon Valley phenomenon designed to combat the tide of corporate associates leaving for in-house stock options became a full-fledged California movement.

Associates must realize that nothing comes for free. Since law firms are in business to make money, partners found themselves with four options: not changing firm requirements, resulting in associates making more but the partners earning less; demanding more hours to pay for the salary increases; raising the bar on bonuses or raising billing rates.

Most firms are paying for the increased salaries by expecting associates to work an average of 100-300 more hours per year. With billable-hour requirements already a key reason for associates dissatisfaction, an extra 200-300 hours per year may exacerbate the problem. Other firms are toying with bonuses, some paying more up front and making the bonuses smaller or more difficult to attain.

Associates wanting to stay afloat of this compensation tidal wave must be aware of its ramifications. For instance, the rising of salaries will cause the executive committee to scrutinize more closely partners whose practice cannot support premium rates. Many will be forced out or have to take pay cuts. Associates closely aligned with partners without a large book of business should therefore beware.

Some corporate counsel may accelerate law firm shopping if they're hit with a rate increase, especially if it's seen as subsidizing associate compensation increases. Associates at a firm raising their billing rates to corporate clients should be aware of this possibility.

When there is an economic downturn, the highly paid senior associates - especially those without rainmaking potential or strong partnership prospects - are the most vulnerable. First-year associates, those who are not bringing much to the table, will also be vulnerable. The third, fourth and fifth year associates, however are most valuable to a firm. They have been trained, are productive and give the greatest bang for the buck.

There are many steps lawyers can take to strengthen their position at a firm that is raising its associate salaries.

- Align yourself with a top rainmaker or an associate who is tightly aligned with a top partner.
- Heighten your profile. Write articles, get involved with bar activities, serve on committees, partake in chamber of commerce activities, etc.
- Stay in touch with people you went to law school with - especially those who practice at major firms in your geographic area.
- Don't complain about an increase in hours to partners at your firm.
- Try to develop a specific practice area of expertise.
- Before changing firms, perform your own "due diligence" on the firm. Find out about its partnership track, the background of the firm's leaders, the rate of turnover, its real billable hours, its commitment to pro bono, partner mentoring and training programs.
- Most importantly, pay back your student loans quickly and put money in the bank.

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