Midsize Firm Overhauls Traditional Class-Year Salary System for Associates

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In a world of follow-the-leader associate salary scales, a midsize California firm is carving its own path.

This month, as leaders at other law firms wearily wonder about the next round of raises, Luce, Forward, Hamilton & Scripps overhauled the traditional class-year salary system. The San Diego firm has created 14 levels of associate compensation that will be affected by productivity and practice area.

On the new scale, a highly productive third-year in a high-rate practice could make more than a fifth-year in a less lucrative practice who is working fewer hours. And, in every level, associates who choose to work at the higher end of the productivity scale -- 2,100 hours -- can make salaries similar to their peers at large, national firms. For example, first-years will range from $145,000 at 1,950 hours to $165,000 for 2,100 hours. The exact determination will be made by the firm's committee.

"We can accommodate more people," said managing partner Robert Bell. "If we put all first-years at 165, there are some people who wouldn't be profitable. But, at 145, they are profitable."

Recruiters say the move is an innovative one for a midsize firm, though some questioned whether the adjustable pay scale would create a tier of second-class associates.

"Particularly for firms like Luce that are midsize and regional, I think it's a very clever way to address the many issues that are arising with competitive salary increases," said Avis Caravello, a San Francisco Bay Area recruiter. "It addresses a lot of issues for a firm that size, but I don't see larger firms moving toward that quite yet."

Bell said his 222-lawyer firm came up with the more adjustable scale so that they can still attract the most competitive high producers, but also maintain flexibility for attorneys who work in lower-billing rate practices or who prefer to work fewer hours.

Some firms are jettisoning certain practice areas because they don't command high enough billing rates, he said. This associate salary system allows Luce to keep lower-rate practice areas and the people who want to practice in them, he said.

"Associates are savvy and they understand the business and how the firm works," Bell said, explaining why he doesn't think there will be any tensions as a result of the nuanced scale.

But some questioned its viability.

"I don't know if that will sit well in terms of creating a collegial environment, because associates who graduated the same year will be making different money and probably consider themselves as second-class citizens," said L.A.-based recruiter Delia Swan. "It's saying your practice area is worth less than say, an IP litigator."

While Swan commended Luce's effort to be creative, she also wondered what would happen with one's salary if a practice area suddenly lost its clout, like corporate work did in 2001.

Geoff DeBoskey, a senior associate at Sheppard, Mullin, Richter & Hampton, said a sliding scale system could affect the way law students select practice groups. Top students could be drawn to the higher-paying practice groups, leaving other less lucrative practices with lower-quality associates.

"While on one hand, a sliding scale more accurately reflects the economics of a law firm, I am concerned that law students would gravitate toward practices like IP when they'd rather do labor, leaving other practice groups to choose from associates who are lesser qualified."

But Tamara Keller, a fifth-year Luce associate and member of the firm's associates committee, said the benefits outweigh any risks of perceived inequality.

She acknowledged that there is a risk in associates getting paid differently, but said the system allows associates to choose their own path, and allows the firm to maintain numerous full-service practices.

"If you don't want to be a super-biller you don't have to be, and if you do, you'll be compensated comparable to an international megafirm," said Keller, an employment attorney. "For me, I would, in a heartbeat, take a lower salary as an employment attorney than as an IP attorney."

That way, Keller said, she can keep the lower rates that go with employment work, and build a book of business. She said her counterparts at megafirms would be charging around $450 an hour, making it difficult for them to find new clients willing to pay that rate.

"There will always be people who disagree, but I think this allows for the continued development of business and provides associates not only the ability to attract clients but also it allows us to participate in a wider variety of legal practices," she said. "Obviously there are some associates who just want the money, and perhaps this isn't the firm for them."