

The Reality of Associate Salaries  
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September 10, 2008

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Last year's big-firm associate-salary war may be lying dormant, but the relationship between firms and their recruits continues to quietly evolve.

Behind the scenes, associates are becoming more savvy to the realities of the economy and its attendant layoffs, and firms are beginning to tinker with compensation plans as well as intangible aspects of the job, say recruiters, attorneys and hiring managers.

Taking the temperature of California's associate money landscape, The Recorder continued its annual tradition of polling the state's [25 top-earning firms](#) about their first-, fourth- and seventh-year compensation.

Predictably, the vast majority of the 17 firms that provided information appeared to be keeping with a lockstep \$160,000-\$210,000-\$265,000 plan and with billable-hour requirements hovering around 1,950 annually.

Only Sedgwick, Detert, Moran & Arnold seemed to buck the going rate, with first-year salaries coming in at \$130,000; fourth-years at \$144,000 to \$177,000; and seventh-years earning \$155,000 to \$197,000.

Bonuses for most firms that responded -- eight offered complete bonus data -- seemed to hover roughly around a \$40,000-\$60,000-\$80,000 schema.

But more subtle changes are under way, say lawyers, recruiters and firm personnel who work with associates.

A turbulent economy has led to persistent news of official and rumored associate layoffs, and associates are finding they must adapt quickly to a rapidly changing industry.

"I think one of the biggest challenges for associates is how they are going to weather the changes that are going to be enacted by partners and law firm management in dealing with changing economies, economies of scale, mergers and the continued globalization of the Am Law 100," said Peter Ocko, a recruiter with Major, Lindsey & Africa in Los Angeles.

TO LOCKSTEP OR NOT ...

While salaries and bonuses aren't expected to change soon, the way they're doled out may, as firms increasingly consider switching from a lockstep associate compensation model to others based on skill level.

The idea, Ocko said, is, "certainly, one of the major issues that's going to be coming up, I think, in the next year, and firms have already begun addressing it or at least talking about it openly."

Los Angeles' Manatt, Phelps & Phillips abandoned a strict lockstep compensation system years ago. The salary and bonus structure is still similar to the lockstep model at most firms, but there is no guarantee of advancement. A highly productive second-year may be paid as much as a third-year, or a very unproductive associate may see no year-to-year increase. Still, skipping ahead or falling behind is the exception.

"I actually think the system in practice is very fair because it allows for those people who are overachievers to really be valued at what their skills are worth," said Diana Iketani, the firm's chief recruiting officer. On the other hand, she said, it reduces pressure on associates who would rather pace themselves or have different priorities.

Other firms are less eager to abandon lockstep salaries, at least for now. Heller Ehrman has thought about it on occasion, most recently two years ago, but ditched the idea, said Chief Human Resources Officer David Sanders. The perception is that the lockstep model is more predictable and objective, he said. It's not that associates were cynical about variable bonuses and salaries -- "they just couldn't put their hand on it, so there's not a value."

Bingham McCutchen switched to a nonlockstep model based in part on productivity for a few years following the salary wars of the dot-com boom, but eventually abandoned it.

The motivation was a familiar one that arises during salary wars: "The attraction to switch over to it was to respond to client concerns of the increased cost of the increased salaries that firms were adopting," said Geoff Howard, the managing partner of the firm's San Francisco office and a former chairman of the firm's associate committee.

The decision to switch back was driven, partly, by the hope that it would make comparisons with other firms easier and partly by practical concerns, Howard said.

"[The nonlockstep model] was very labor-intensive to administer," Howard said.

Still, firms are increasingly thinking about it. For instance, Orrick, Herrington & Sutcliffe is currently reviewing its own lockstep model.

## UNDER PRESSURE

The latest round of salary increases and the resultant client complaints have put heat behind another key challenge for firms: how to give young associates much-needed experience without clients feeling like they're paying for it.

"I hear that more and more from partners -- that they can't give first-year associates work," said Claudia Trevisan, a recruiter with Swan Legal Search in Los Angeles.

Clement Glynn, a former big-firm attorney and co-founder of Glynn & Finley, a small law firm in Walnut Creek, Calif., says he continues to see resumes from big-firm midlevel associates who lack necessary skills, like motion or deposition experience.

"Clients can talk to a young associate and figure he or she doesn't know what he or she is talking about, and they say, 'We don't want to be serviced by younger associates. We don't want them going to school on our nickel,'" Glynn said.

To address the issue, Heller implemented a program this year to give first-years 300 "career development hours" -- which count toward minimum hours and bonus milestones -- to spend on work they otherwise wouldn't be involved with, such as strategy sessions, negotiations, depositions and various trial activities.

"We heard that clients had concerns about it and about what the increase in salaries meant for them, so we looked at that. We looked at the fact that that much more pressure was on our partners to justify giving associates -- junior associates, in particular -- opportunities," said Sanders, Heller's chief HR officer.

The program was implemented in March, and while Sanders doesn't have statistics, he said many first-years took advantage of it. "It's been what we're hoping for it to be," he said.

Bingham has a similar program and has tried to get some tasks out of the hands of partner-track attorneys altogether, Howard said.

"We've created some off-track positions for attorneys who are responsible for managing our document review efforts," he said, adding that doing so frees up associates to do more meaningful and reasonably billed work.

#### WORK-LIFE ANXIETY

The turbulent economy and resulting associate layoffs -- both reported and rumored -- have caused a lot of anxiety among associates and shifted the focus away from the compensation race and toward concerns such as having a job at all and being happier in that job.

"With the economic news, they're not talking about salaries -- they're talking about, 'Oh my God, what's going on there with [layoffs at] other law firms,'" said Brad Seiling, a Manatt Phelps partner and chairman of his firm's associates committee.

The push for better work-life policies among firm lawyers has been going on for years and seems to be gaining steam, said Sharon Bunzel, a partner in O'Melveny & Myers' white-collar defense and corporate investigations practice in Los Angeles and the firm's hiring partner.

"The next challenge is not going to be about how far we raise salaries but how do we fashion programs," she said.

Bunzel left O'Melveny in 1999 as a junior associate to work for the U.S. Attorney in California's Northern District. When she rejoined her firm in 2005 in a part-time counsel position, she noticed a clear growth in the number of people concerned about work-life issues.

"I, definitely, have the sense that there can be a disconnect between the current generation of lawyers coming into law firms and the more senior people who never would have thought of demanding or even talking about work-life balance," she said.

As an associate and counsel, Bunzel worked 75 percent of the time and was paid accordingly. As a partner, the salary breakdown is less formulaic, she says, but she's still able to work on a reduced schedule.

"As more and more people like me make partner out of reduced-hours programs and you have people in positions of leadership who choose more work-life balance-related arrangements, it will become even more commonplace."

While firms are increasingly building on work-life balance programs, some lawyers say the concerns driving that expansion are not new or exclusive to the current generation.

"Retaining and attracting your good talent is as big of an issue as it ever was," said Howard, who chaired Bingham's associate committee from 1999 to 2005 and is also a former associate representative to that committee. "We were talking about very similar issues to the ones we're talking about now, and I think that speaks to the importance of the issues."

While there will always be associates who aren't interested in climbing the firm ladder, most continue to be interested in making partner, Howard said. The increasingly difficult task for the industry is retaining them once they do, he said.

"We, certainly, continue to make partners ... [but] the fact that somebody makes partner doesn't necessarily mean that you are going to be practicing with them for the next 40 years," he said.