

Salary Wars in Light of the Recession: Bridging the Associate / Partner

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This article will explore the division between partners and associates from three angles.

Every day, we talk to both partners and associates at firms across the country, in every *major le*

marketplace. Because we are a recruiting company, these conversations often concern

is dissatisfied with their current firm, or what kind of lawyer a firm seeks to hire. *We have discovered that the salary wars that have taken place over the past several years have actually had the effect of straining professional relationships between partners and associates.* This article will explore the division between partners and associates from three angles: first, we will discuss the complaints we have heard from and about today's young associates. Second, we will discuss the impact that the recession has had on the legal marketplace. Third, we will suggest how to handle dynamics at the interview stage, and how to position oneself as a lawyer who can contribute to a more collegial environment.

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A little over two years ago, the associate salary wars began to affect most major legal markets. Although these are good news to many associates, the long-term effect has been mixed. Certainly, we have not heard any lawyer to say that having more money is bad. However, in some firms, there has been a backlash against those who enjoyed the salary increases, making life more difficult for some young associates. The dynamics are fairly simple. Many firms raise salaries to compete with other firms. Not all firms who raised their compensation did so willingly, and we have spoken to some partners at law firms who felt railroaded into the decision to raise those salaries. It's not hard to imagine why an increase in associate salaries may mean less compensation to the firm's partners. Although every firm that raised associate salaries handled the expense in different ways, the more difficulty a firm had internally in making the adjustments, the more the salary issue created or magnified a division between associates and the owners of the firm.

Associates are Getting Richer. What's the Problem?

Ultimately, it's not important to decide the merits of who is right or wrong. What is important is to understand these issues to minimize the discord.

The complaint we have heard most often from partners at law firms is that junior associates have a sense of entitlement to top compensation and an appropriate quality of life offered by a reduced workload. This may be because many of our partners began as associates working longer hours for less money. At some firms, the perception is that associates do not work the kind of hours, on average, that associates worked 10 or 15 years ago. This may or may not be true, but it's the firm or the individual. What is true is that the attention to 'quality of life' among associates at large firms is relatively recent. The fact that many associates started using the term quality of life at the same time the greedy associate boards pushed for a difficult coincidence for the management at some firms. We certainly suggest that attorneys stay aware of the disconnect between firms' lifestyle, compensation, or prestige. However, an associate who frequently compares his or her firm to other firms may create the perception of being ungrateful for the opportunities 'at home.' To demand that one's firm pay top salaries while pushing quality of life issues, such as reasonable hours, may appear inconsistent.

Many associates do not understand why the partners at their firm are so unreceptive to talking about compensation and quality of life, when the associates are often the top billers, and generate significant income for the firm. "If I work big firm, I should get paid big firm salary," is one of the complaints we heard from a lawyer working at a mid-sized Washington firm. Younger associates want the management of their firm to realize that the marketplace isn't the same as it was when their partners graduated from law school. Indeed, the demographic of young lawyers has changed considerably, and the economy in the past decade have been unprecedented.

There is no right or wrong side to these arguments, but the problem of this division must be resolved. This tension is in large part by the associate salary wars. We recommend that attorneys try to put themselves in each other's shoes. Remember that partners are owners of the firm. They have the responsibility for keeping business with the firm, and if associate salaries did seriously affect the bottom line at many firms. On the other hand, partners need to realize that top qualified associates are necessary to any good practice, and keeping those associates by ensuring that they are respected, valued, and paid should remain an on-going concern.

How the Salary Increases Affected the Marketplace.

The short-term effect of the salary wars was, obviously, to put more money into the pockets of associates. For virtually every firm, the next effect was more subtle: hourly billable rates for associates were raised in some cases, while some firms tried to take the money out of the partners' share of the pie. Some firms raised associate salaries without a peep, while others only after being directly petitioned by their associates. Associates began ranking firms in their city by how much their salaries went up.

We are certainly not suggesting that firms all react the same as a result of salary increases. Quite to the contrary,

handle the salary increases (or in some cases, ignored them) in its own way. However, there were trends that all firms reacted to the salary wars. In the best circumstances, firms were happy to raise salaries to control their attrition and reward their associates. Some firms, however, took a harder line, and required more from their associates in exchange for more money, such as increasing billable hour requirements.

Several problems emerged. One was compression of salaries. So, while a first year got a raise and started making \$125,000, often an 8th year associate in the same department got only a small raise, or no raise at all. Obviously, there is potential for resentment in such a case.

As the economy regains a more certain footing, what can associates and partners take away from the lessons of the last few years? In the same way that the economic slowdown of the early 90's affected the hiring (and firing!) practices of the last recession, the latest recession will be a learning tool for both law firms and lawyers alike.

For some associates, the lesson learned was that following the money is not necessarily a good long-term strategy. For the firms who lead the pack in terms of raising associate salaries, and who consistently outmatched starting salaries, some of the most dramatic lay-offs. For a handful of lawyers, the lure of 5 or 10 thousand more dollars per year was not enough to convince them to change firms, only to be looking at a mass layoff 18 months later. Therefore, we believe that the most important lesson learned is that salary distinctions of several thousand dollars should not be the principal reason for leaving jobs. Although there is certainly prestige in being associated with the highest paying firm in your area, top compensation does not insure long term stability, or even job satisfaction.

When a firm's dialogue turns entirely to billable hours and base salary, everyone involved is missing the bigger picture. Associates and partners have to offer to each other. It would surprise you how frequently we hear from lawyers that they are looking for new opportunities - and how infrequently we hear that a lawyer wants to find a new job to make more money. Although it's easy to get caught up in money issues, we do not find that making the most money on the block is what most lawyers seek for success or satisfaction for the overwhelming majority of lawyers.

On the law firm side, we believe that the salary wars and the recession that followed were a lesson for firms that their relationship with associates can quickly become widely known. The Internet has the capability of disseminating firm information to virtually every other young lawyer in a matter of seconds. In some cases, internal memos to associates regarding salary increases were immediately posted to the Internet.

Law firms and the lawyers within them will continue to make adjustments with respect to the salary raises, the economic conditions, and their ongoing client demands. Going forward, we believe that it's important that each firm review the effects of the salary wars they have had on internal relations, and seek to address any divide that may have occurred.

I'm in the market for a new job. What does that mean to me?

In some instances, we've been approached by lawyers who are interested in opportunities with a [new firm](#) because of tension within their own. In many instances though, lawyers who are unhappy with the divide between associate salaries and partner salaries should look for solutions within their own firm. There have been significant changes in compensation and hiring practices in several years, and it may take many firms some time to work out the issues that arise from the associate salaries from the depressed economy. In the event that a lawyer has made a decision to move, he or she should keep in mind that if they are perceived at the interview has been affected by these difficulties.

The single most important way to overcome whatever remaining tension may exist is to be enthusiastic. The "what can I get out of this?" attitude, which may have worked two years ago, is generally unacceptable in this hiring climate. Interviewing for a new position should be a dialogue about what contributions the interviewing lawyer can make to the firm, and not simply what she can take out.

On the law firm side, it's important to note that many lawyers' agendas have changed. Stability and profitability is

concern for lawyers, and an interviewing attorney should provide enough information for an interviewing lawyer to understand the firm's environment. Firms who believe they may have gotten a bad reputation throughout the salary wars should correct this.

Conclusions

Many associates have changed their focus from associate raises to lay-offs, bonuses, and workload, given the recession in the economy. However, it is important to remember that the associate salary boom of the late 1990's may still have an impact on inter-firm relationships, and how partners and associates view each other as a whole. Where those tensions exist, firms should be aware of how they view each other and themselves in the sometimes strained relationships within the firm's economy. If there is any good to be found in the recent recession, it may be that it provided a little perspective on how to view each other, and how lawyers define security and success within a firm.

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