

## Firms Weigh Slashes In Pay, Boosts In Training

By Shannon Henson

**Law360, New York (May 22, 2009)** -- In these harsh economic times, some law firms are thinking about seizing the opportunity to significantly lower the salaries of first- and second-year associates and shift to a system of more intensive training.

A move to a system that would be similar to that in the United Kingdom, Canada and other countries would benefit law firms and associates, consultants said. A change would also please clients who are clamoring for lower billing rates amid the downturn.

As it stands now, law school graduates have little to no practical experience and are ill-prepared to serve clients efficiently for the first two years, experts said.

Moving to a more training-intensive model would “break the link that says that when someone walks out of law school with a degree they are fully capable of stepping in and practicing law competently,” said James Jones, managing director of legal consulting firm Hildebrandt International. “Almost no one believes that to be true, but it’s the model.”

In the U.K., Canada and other countries, young lawyers enter clerkship programs after receiving a bachelor's degree. They may receive more education along the way, but the years spent in a classroom pale in comparison to those spent by their U.S. counterparts.

In mid-May, [Drinker Biddle](#) & Reath LLP made a move toward that model, cutting first-year associate pay to \$105,000 and offering an intensive training program to its first-year class.

The multipronged training program is meant to make associates more valuable to clients and educate young lawyers in traditional legal skills and clients' backgrounds, firm representatives said at the time.

First-years will also be required to observe partners in their daily interactions with clients, adversaries and with the courts, a practice once commonplace at the firm.

While revamping the legal education and training system entirely would be an enormous undertaking, other firms are considering a move similar to that made by Drinker Biddle.

“First-year lawyers now are paid \$160,000 to learn how to find their way to the bathroom,” said Jerry Kowalski of Kowalski & Associates. “For law firms, there is very, very little benefit. Associates during their first two years do not add profit.”

There used to be widespread acceptance that junior lawyers should shadow senior lawyers and that junior lawyers would be in planning and strategy meetings, said Deborah Epstein Henry, founder and president of Flex Time Lawyers.

“But clients said they were no longer willing to pay for two lawyers in the room and law firms didn't want to incur” the costs, she said.

Clients are now facing problematic balance sheets and are demanding competitive prices. “The clients are saying that they want skilled attorneys if they are going to pay these rates,” Toni Whittier of Whittier Legal Consulting said.

They aren't taking umbrage with the exceptional lawyer charging \$1,000 an hour, Henry said. But “they are upset about the junior and middle associate billing \$300 an hour.”

Reducing hourly costs as young associates train could “improve client and law firm relations,” she said.

Many firms have laid off significant numbers of young associates, and some have also taken the ax to the paychecks of those who still have jobs. Lowering associate compensation in conjunction with more intensive training could allow firms to offer lower billing rates while also preparing the next generation who will one day take the reins, consultants said.

A change in the model would also engender loyalty to the firm while giving associates a better sense of where their strengths lie. Henry said.

“Generation Y wants mentoring and feedback, and this would be an opportunity to give them both of those things,” she said.

First- and second-year associates aren't profitable anyway, she said, so why not formalize the training that is required?

But moving to a training-intensive model could have its drawbacks or hurdles. For one, it would put pressure on the law firms to develop an effective program of training and professional development.

“Firms have always provided some training, but in all honesty, they aren't all doing a great job,” Jones said.

Firms could consider several avenues to train young attorneys — pairing them with senior attorneys and encouraging networking and business development, among other things, Whittier said.

Lower compensation across the board could also put some pressure on young associates, many of whom incur a good deal of debt attending law school, Henry said.

And while Henry is a supporter of a more training-intensive model, firms also face the risk of investing time developing associates only to see them leave the firm, she said.

Partners may also balk at the change, as they may be too busy to spend much time training young attorneys, Henry said.

While firms are reconsidering every aspect of their business model in these troubled times, consultants said, a widespread move to a training-intensive model would happen only if several large, influential law firms make the leap.

“It's not likely to happen unless several of the leading firms in the AmLaw 50 announced they were going to do this,” Kowalski said. “Very, very quickly everyone would follow suit just as they rushed into the \$160,000 starting salary like lemmings.”

There's also a risk of a handful of firms making the move and not having their competitors follow suit, Jones said. “They will then be at somewhat of a recruiting disadvantage,” he said.

Law firms see a deep talent pool given recent layoffs and a lack of available positions. However, consultants warned that firms cannot get complacent about hiring, recruiting or their treatment of young attorneys.

“Firms are in a temporary state of thinking the war over talent is over,” Henry said. “That's very shortsighted, because we will still face a generational gap when the market improves and the baby boomers start retiring and there aren't enough Gen Yers to fill their spots.”

“Firms need to be thoughtful about grooming the next generation,” she said.

--Additional reporting by Julie Zeveloff