UNDER PRESSURE

Welcome to the postrecession world. Demand for legal services is up—associates billed an extra 80 hours last year—but hiring is slow. One small consolation: Salaries are at their highest level in five years. Phew!

By Victor Li

Photograph By Fredrik Broden

Midlevel associates put their noses to the grindstone last year, and they didn't like it one bit. While demand for legal services rose in the last year, staffing at the country's biggest firms continued to lag behind prerecession levels. As a result, third-, fourth-, and fifth-year associates had their most demanding year since the recession began. They averaged 2,037 billable hours in 2010, compared to 1,957 the previous year. While the increase was only 80 hours (or two weeks of work to most associates), it represented the highest number of associate billable hours since 2007. As one DLA Piper associate put it in the open-ended responses to our survey questions: "Firms got too lean [after the recession] and consequently realized that associates will work more and more if asked. Quality of life has therefore decreased."

According to our survey of 5,361 midlevel associates from 149 law firms, the average firm composite score—which is based on ratings for 12 core questions—declined for the second consecutive year; it dropped slightly from 3.733 last year to 3.729 this year. While the decrease was almost negligible, it still marked the lowest associate satisfaction score since 2004. Additionally, when asked to grade their individual law firms as places to work, associates gave their firms an average rating of 3.98 on a scale from 1 to 5, an infinitesimal increase from last year's 3.96 rating.

There was also little change in how the midlevels rated their firms on other key criteria. This year, associates gave their firms an average score of 3.29 when it came to management's openness about finances and strategies, down a shade from last year's mark of 3.39. Similarly in the area of clearly communicating what it takes to make partner at the firm, the average mark was 2.94, a small decrease from last year's score of 2.99.

In fact, most of the scores on each of the 83 survey questions changed very little from the previous year's results—that is, except in areas relating to work distribution and law firm staffing. When asked whether their firm was leanly staffed, appropriately staffed, or overstaffed, 44 percent

of respondents said that their firm was leanly staffed, a notable increase from last year, when only 39 percent chose that option. Meanwhile, the associates who felt that their firms were appropriately staffed dipped from 53 percent last year to 50 percent this year. And the percentage of associates who believed their firm was overstaffed decreased from 8 percent last year to 6 percent this year.

According to a recent survey from the National Association for Law Placement, Inc., lateral associate hiring was up 61 percent in 2010 after two consecutive years of steep declines. However, the lateral associate gap persists, in part, because of the steep cuts in hiring over the last two years. NALP reported in March 2010 and March 2009 that the market for lateral associate hiring declined an estimated 33 percent in 2008 compared with 2007, and then suffered an even bigger fall the next year, dropping by an estimated 62 percent from 2008 to 2009.

Legal consultant Eric Seeger of Altman Weil, Inc., agrees that the lateral associate ranks have not returned to prerecession levels and anticipates that law firms will be cautious in their hiring. "That's a normal business response in a questionable economy," says Seeger. "Firms are not going to be in a hurry to staff up to prerecession levels." Caren Ulrich Stacy, president of Lawyer Metrics, a law firm recruiting and professional development consultancy, agrees and doesn't see a mad dash back to prerecession hiring levels. "A lot of firms are going slowly," says Stacy. "For one thing, the hiring process itself takes some time, usually six months or more. Also, firms don't want to grow too fast, too soon."

Luckily for associates (as well as for their firms' scores), compensation is on the rise. The average base salary for midlevel associates this year was the highest in five years and represented a 4 percent increase, from $178,164 last year to $185,319 this year. The average year-end bonus was $19,746, up 5 percent from last year's average of $18,774. Satisfaction with compensation and other benefits crept up from last year's survey as associates gave out a 3.84 average score in that category, compared to a 3.78 last year.

Associates benefit when matters are thinly or appropriately staffed. "If cases are more leanly staffed, not only will you get more work and have an ability to shine, you will get more partners to work with, and more responsibility that you might not have gotten if it were heavily staffed," says Stacy.

For instance, Nutter McClennen & Fish, which extended its reign atop our associates chart to four consecutive years, did well on a number of fronts, not the least of which was distribution of work. In answering the question about how the firm was staffed, not a single Nutter associate said that the firm was leanly staffed. (Almost all respondents said it was appropriately staffed.) Nutter chairman Michael Mooney says that hiring too many associates would cut against the firm's philosophy. "We don't believe in throwing five or so associates onto a team and telling them all to review documents," says Mooney. "When they're a member of the team, they play an important role."

Some firms avoided the problem of too much work/too few associates altogether. Cozen O'Connor, which finished third overall, and Hughes Hubbard & Reed, which finished tenth, both scored well on the issue of staffing, in large part, because they avoided mass layoffs and hiring slowdowns. Like Nutter, no Cozen associates chose the "leanly staffed" option, while only 18 percent of Hughes Hubbard associates said that their firm was leanly staffed. "We kept the faith with our associates, so understaffing hasn't been an issue for us," says Hughes Hubbard managing partner Ted Mayer. "We lowered our hiring targets a bit, but our hiring has actually been quite steady. In fact, we've had full classes every season." Cozen chairman Stephen Cozen says that the firm's strong performance during the recession actually allowed it to increase hiring. The years "2008 and 2009 were terrible years for most firms, but not ours. Financially, those were two of our best years," says Cozen. "We actually increased employment, and I think the people who were already here were appreciative of that."

Debevoise & Plimpton, which finished sixteenth overall on our survey, also engendered goodwill from its associates for avoiding mass layoffs during the recession. "The partnership took a long-term view during the recession. Partners took a hit to their PPP [profits per partner] in 2009/2010 to avoid laying off associates. The firm is now reaping the benefits by having a strong associate base ready for the upturn," wrote one associate in the open-ended comments section.

Debevoise says that it tries hard to make sure work is distributed evenly. "It isn't just about making sure that an associate is not underwater because he or she took on too much work," says Rebecca Silberstein, an investment management partner who heads Debevoise's associates' liaison committee. "We also want to make sure that the work associates are getting has the right amount of variation and will allow them to develop a lot of the different skills they need." Only 20 percent of the firm's associates chose the "leanly staffed" option, better than all but 15 firms in the survey.

However, being leanly staffed wasn't the kiss of death in our survey, provided there were other areas where a firm excelled. Munger, Tolles & Olson, for example, was the runaway leader among associates who believe that their firm is leanly staffed—a whopping 95 percent of its associates chose that option on the survey. But Munger did extremely well with its associates in other areas. Its 4.89 average rating for openness about firm finances was the highest in that category.

According to managing partner Sandra Seville-Jones, associates get a detailed copy of the firm's financial statement, including the balance sheet, accounts receivable, past due accounts, billed matters, and more. "It is a little different [way of doing things], but that's how it's been since the beginning of the firm," says Seville-Jones. "The basic philosophy of the firm is to treat everyone, associates and partners alike, as owners."

Paul Hastings also earned high marks for its honesty with associates, despite 56 percent of its associates choosing the "leanly staffed" option. The firm, which finished second overall in our survey, did especially well in the categories relating to openness about finances and communicating about the partnership process, finishing third in both categories. Erika Collins, an employment law partner and cochair of Paul Hastings's global attorney development committee, says that while the firm has always been open with its associates, she's also noticed that associates have become more sophisticated about firm finances in recent years. "I'm sure the economy played a huge part in it, but law school career services are also more tuned in to those types of issues. Plus, I'm sure many of the law students have friends who may be unemployed still, so it's a worry," says Collins.

Of course, it wasn't all rosy among leanly staffed firms. Kaye Scholer's score increased from 2.831 last year to 2.979 this year, but it barely made a dent in its ranking; the firm edged up from last place in 2009 to second-to-last this year. Staffing was an issue, as 71 percent of associates chose the "leanly staffed" option, but it's clear from the open-ended responses to the survey that associates' anger was rooted in other areas. For instance, several associates bemoaned a lack of communication from partners about the firm's business decisions and compensation. "Be honest. Even if the news or information is not positive, we would like to know instead of having to guess or hearing information through the grapevine," wrote one associate in the open-ended responses.

Saul Morgenstern, chair of the firm's professional development and communications committee, says that Kaye Scholer implemented several changes after last year's survey that were aimed at improving communication between partners and associates. For example, the communications committee, which is composed of associates and several partners and counsel, now meets every month. "In advance of those meetings, members meet with their respective cohorts to find out what's on their mind, and we'll discuss anything," says Morgenstern. He adds that the issues under discussion range from the big ones, like rewriting the leave policy or going over bonuses, to the very small, like putting tea in the conference rooms. Co–managing partner Michael Solow is hopeful that associates will respond positively to the changes, which included reorganizing many of its practice groups, making them smaller and more manageable, once they become more established within the firm. "It will take some time, but hopefully, we'll get better reviews once people understand what we're doing," Solow says.

Ultimately, firms should start hiring once the economy shows signs of sustained improvement. Altman Weil's Seeger cited a study his company conducted in April and May showing that 87 percent of responding firms expected to add associates in 2011, while 78 percent of responding firms expected to have more associates in 2016.

Looks like help is on the way.

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For complete coverage of our 2011 Midlevel Associates Survey, go to **americanlawyer.com/associates**

MOVING ON UP: *FOLEY HOAG*

WHEN WILLIAM KOLB (pictured, right) and Adam Kahn were named co–managing partners of Foley Hoag in January 2010, they reached out to one of their most important constituencies—the associates. Foley Hoag associates told them that they wanted more interaction and open dialogue with firm leaders. That wish was granted, and—as a by-product of those efforts—Foley Hoag experienced the highest year-over-year jump of any firm on our 2011 Midlevel Associates Survey.

For instance, prior to Kolb and Kahn's promotion, Foley Hoag's executive committee met with associates twice a year. The new firm leaders doubled that. The managing partners also set up informal monthly breakfast meetings with groups of associates.

During one of of those breakfasts, associate Vivian Coates suggested to Kahn that the firm should start an associates committee that would collect anonymous questions and then ask firm leaders to answer them during the quarterly executive committee–associate meetings. "I've always been concerned about people who weren't willing to speak up, and I wanted to make sure they would be heard," says Coates, a fourth-year M&A associate.

Since then, the meetings have tackled subjects ranging from the partnership process to the firm's finances to the evaluation policies for associates.

This increased communication is partly why Foley Hoag moved up 92 places—from 115th last year to twenty-third this year—on our annual associates survey. Foley Hoag associates gave the firm an overall average of 3.988 (on a scale from 1 to 5), a 17 percent increase from last year's mark of 3.423. In evaluating the firm as a place to work, Foley Hoag's score of 4.31, a 17 percent increase from last year's score of 3.67, was higher than all but 15 firms.

Additionally, the firm scored a 3.92 in the category of openness about finances, up substantially from last year. The difference was even more pronounced in the category of clearly communicating how to become partner, as Foley Hoag's score shot up from a 2.27 last year to a 3.46 this year.

Kolb says that the firm has tried to demystify the partnership process: In March 2010 it unveiled a new career development framework for associates. "The road map delineates specific expectations and goals skills, but it's not a check-the-box exercise. There's a subjective element as well," he explained.

However, Foley Hoag received its highest score from associates in the pro bono category, earning a 4.46 this year, up from 4.27 last year. "The roles associates have in pro bono cases are often quite significant and involve a lot of client interaction and responsibility. We

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don't look at pro bono matters and say 'Only an associate should work on this.' But [our program] does afford them with more opportunities, since many of [the assignments are on] smaller matters," says Kolb. He cited the firm's challenge of the Defense of Marriage Act in Massachusetts and Connecticut, its representation of victims of domestic violence, and its work for One Laptop Per Child.

Raising salaries had an effect on the firm's score, too. According to Kolb, the firm restored starting salaries to $160,000 in 2010 and increased associate salaries across the board to what Kolb refers to as "market level." As such, associate satisfaction regarding compensation increased from 2.27 last year to 3.62 this year.

Money makes associates happy with their firms, too. —V.L.