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A&B raises rookie pay to \$145K, but some associates feel gyped

More experienced associates complain that the first-years' pay is too close to what they will make

By Meredith Hobbs, Staff Reporter, Daily Report

ALSTON & BIRD has raised pay for its Atlanta associates, with first-years getting a bump from \$130,000 to \$145,000—matching what the firm pays first-years in its Charlotte, N.C., office. The raises, announced Wednesday evening, go into effect Jan. 1, 2008.

“There are a number of firms in the city with starting salaries above the \$130,000 level, and we determined that the market is speaking to us and that we should raise our starting salary from \$130,000 to \$145,000 to assure that we remain competitive and compensate our associates fairly,” said Jonathan W. Lowe, the firm’s hiring partner.

During the last round of Atlanta pay increases in February, most of the city’s big firms, including Alston, settled on a starting salary of \$130,000. But that month, Hunton & Williams increased starting pay for associates to \$145,000 for all offices outside of New York. (DLA Piper and Jones Day increased starting pay for Atlanta associates to \$135,000.)

Alston’s new pay raise matches Hunton’s February pay increases for its Atlanta associates, starting at \$145,000 and increasing to \$190,000 for seventh-year associates.

As of press time, none of Alston’s local competitors had announced that they were matching the increase.

“Our review of the situation in Atlanta and Houston is under way. Although we have not concluded that process, we will remain competitive for top talent in order to continue to enable the firm to serve our clients most effectively,” said Les Zuke, a spokesman for King & Spalding.

When the raise takes effect in January, it will mean a 45 percent increase in starting pay for Alston’s first-year associates in a mere two years. Alston raised first year pay from \$100,000 to \$115,000 on Jan. 1, 2006, and then to \$130,000 in February.

But even so, associates posting anonymously to the Above the Law blog, a gossip and news Web site about big law firms, were not happy with Alston’s pay increase. They contended that associate pay in Atlanta still lags behind that in other comparable markets, such as Houston and Dallas. A number of big firms have raised starting pay to \$160,000 in their Texas offices over the past two weeks.

Several blog posters criticized Alston for pay compression, pointing out that the firm is not increasing pay for more senior classes at the same \$15,000 rate as for first-years.

“A&B did raise today. Starts at \$145K, tops at \$190K. So much for solving compression. Folks are devastated [sic],” wrote “Anonymous” a scant hour after Alston announced the increase last evening.

“First years get a 15K raise. I get 5K,” grouched another.

When told of the comments, Lowe responded: “If this is true, I am certainly disappointed to hear that our associates are unhappy with this pay raise. We try to determine what the market is with respect to associate salary in each of the cities where we have offices, and this was our best effort at determining the market in Atlanta at this time.”

Stephen D. Stone, a legal recruiter at Cambridge Partners, said he was not surprised by the grouching on AboveTheLaw.com.

Atlanta has had a highly compressed pay scale ever since the 2000 round of pay raises that put first-year salaries at

\$100,000, he said. “I think the general consensus is that it’s unfair to have an extremely productive value-added midlevel associate—who can run deals, try cases, handle things in general and make money for the firm—making only \$25,000 to \$35,000 more than someone just out of law school who won’t become profitable for the firm until their third year, where there’s a 60 percent chance that they might be gone anyway,” he said.

On the Alston-Hunton pay scale for Atlanta associates, seventh-years make \$45,000 more in salary than first-years. By comparison, Hunton pays seventh-year lawyers in Charlotte \$95,000 more than first-years, with a salary range of \$145,000 to \$240,000, according to a widely circulated internal firm memo.

Stone said big firms are feeling pressure to raise entry-level associate pay to attract the best legal talent coming out of law school, but “the midlevels are getting the brunt. They don’t think it’s fair that they’re making what they consider just gradually more money than first years when they are adding much more in value.”

Midlevel associates, Stone said, would prefer to see firms stick with the \$130,000 pay scale but “uncompress” it so that midlevel associates make \$60,000 more than first-years, instead of \$25,000 to \$30,000 more.

Because the salary numbers—and the costs—are getting so large, firms in other markets are starting to announce a salary figure only for first- and second-years when they make raises, said Stone. Salaries in upper years instead fluctuate, depending on performance. “They are less lockstep after the first and second years with more of a meritocracy or more creative arrangements for senior years,” he said.

Stone added that he saw Alston’s pay increase to associates as more a reaction to pay increases in other comparable markets, such as Houston and Dallas, than to other firms in Atlanta. “Law students coming out [of school], unless they have inextricable ties to Atlanta, are more apt to look at Houston or New York. Particularly these days when partnership gets further away as you walk toward it, they are looking at an aggregate difference of \$300,000 to \$500,000 in base salary over a seven-year period.”

Richard M. Rice, who heads attorney recruiting at the Partners Group, agreed with Stone that there is pay compression in the Atlanta market and said that he’s seen some Atlanta associates try and move to higher-paying markets, such as Washington.

But he’s seen far more associates from smaller markets such as Nashville or Chattanooga, Tenn., or Birmingham, Ala., trying to move to Atlanta for more money. He said associates at Birmingham’s top firms are paid \$100,000 or less. Stone estimated that starting pay in Nashville and Chattanooga ranges from \$100,000 to \$110,000.

“All they’re seeing is the numbers,” said Rice of the associates in smaller markets. They don’t realize, he explained, that only a very few associates at Atlanta’s most elite firms are making these salaries. “A more normal person with good but not stellar credentials is not going to make that,” he said.

Linda Sloan of the legal recruiter **HUGHES & SLOAN**, predicted that the only way even the most elite firms can afford to pay brand new associates \$145,000 is by requiring them to bill 2,500 hours annually.

“Where’s the money going to come from?” she asked. “Clients are being tough about negotiating hourly fees and partners don’t want to split less than they did before—so they’ll have to work the associates to death. They’ll be totally fungible.”

She predicted that the recent associate pay increases will fundamentally change the legal market, with firms hiring fewer first- and second-years. “People will hire more laterals who’ve been trained and paid for by someone else,” she said.