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Raises grab attention of mid-sized firms

Some are matching Atlanta's big-firm rate of \$130,000, while others tout the other attributes their firms have to offer

By ALYSON M. PALMER, Staff Reporter, Daily Report

ATLANTA MEGA-LAW firms have made headlines in recent weeks as they have raised associate pay on the heels of salary increases in New York and elsewhere. But the effects of the market shift doesn't stop at firms with hundreds of lawyers.

Among smaller firms, leaders of both those who have matched top salaries in the past and those who have not say that they pay attention to the raises.

"We're aware of it, and we're looking at it, and we really don't know what to do with it," said Thomas S. Carlock of Carlock, Copeland, Semler and Stair, an Atlanta civil litigation defense firm with about 80 attorneys.

At the end of last month, Troutman Sanders announced it was raising starting associate pay from \$115,000 to \$125,000. Days later, Alston & Bird and King & Spalding increased associate salaries here by \$15,000, with first-years starting at \$130,000. Other firms quickly followed. Firms paying \$130,000 for first-year lawyers include McKenna Long & Aldridge; Morris, Manning & Martin; Paul, Hastings, Janofsky & Walker; and Holland & Knight, as well as Troutman, which last week said it would meet the \$130,000 number. DLA Piper and Jones Day have gone to \$135,000 for a starting lawyer salary in Atlanta.

Bondurant, Mixson & Elmore, a litigation boutique with fewer than 30 lawyers, was among the firms that went to \$130,000 for first-years, and Atlanta-based Rogers & Hardin, with about 50 lawyers, went to \$130,000 on Thursday. Other mid-sized or smaller firms, such as Parker, Hudson, Rainer & Dobbs, have matched the top market rate in the past.

J. Marbury Rainer at Parker Hudson, which has about 60 lawyers, said the firm would take up the issue at its next partner's meeting but hadn't decided what to do yet.

Rainer said he tells would-be associates of the advantages at a small firm.

"Clearly in a smaller firm we think you have more chances to do substantive work earlier on, and we think you have a better long-term opportunity, and we do sell it," said Rainer. "But in the past we've met all the salaries."

Other mid-sized firms, such as Weinberg, Wheeler, Hudgins, Gunn & Dial, have hung in close. John M. "Skip" Hudgins IV said first-years at his firm earn \$110,000 a year plus a signing bonus and the firm evaluates starting salaries each year with changes effective July 1.

He said the firm would take into consideration the market changes but it's not a topic of conversation that he hears much among his partners and associates. "We have people constantly wanting to come work for us ... and we haven't had any problem acquiring good people," said Hudgins.

Attractive offers

Other mid-sized Atlanta firms were more hesitant to talk numbers. The managing partner at Carlock, Gregory H. Wheeler, wouldn't say what the firm pays first-year associates.

"We can't compete with Alston & Bird and don't try to as far as salaries," said Wheeler. He said the firm tries to be competitive with firms that are similar to it and is a good place for associates.

But he didn't make the case that the market changes are irrelevant to his associates. "I'm sure that they're paying attention to it," said Wheeler, "but I haven't had any associates ask me, and I think that the associates who work here

understand that [we] are different than the Alston & Birds and King & Spaldings.”

Obviously, part of the relevance of salaries is that money plays a role in attracting lawyers. “I’ve known people who have moved from smaller firms to larger firms,” said legal recruiter Raj M. Nichani of Atlanta-based **HUGHES & SLOAN**. “If they’ve got credentials and good experience, then, yeah, those [smaller] firms may lose some of their top talent.”

Moreover, he said, appearances matter, too. “Sometimes money not only is a driving factor, but it says to the general population of lawyers how strong your firm is.”

But smaller firms may have other draws besides starting salary, said Anne H. Whitaker, who focuses on business development and career coaching at Counsel on Call, which places lawyers in contract positions. Smaller firms may provide different opportunities to build a book of business, or, by the time lawyers make partner, the compensation differences “may equal out and in some instances even be better,” she said.

“Depending on the individual people, I think some get attracted to one opportunity over another—it’s more of a fit,” said Whitaker.

Offering something different

Indeed, some smaller firms aren’t afraid to say that they don’t pay what the biggest Atlanta firms pay new associates, touting what they say are their other attributes, including potential financial rewards.

The prospect of being five minutes from the beach—and having a lower cost of living—are selling points of Hunter, Maclean, Exley & Dunn, the Savannah-based firm that, with about 60 lawyers, promotes itself as the biggest Georgia firm not based in Atlanta. That firm pays first-year lawyers \$70,000 a year plus a \$5,000 signing bonus, according to hiring partner Shawn A. Kachmar, who said it’s too early to say what, if anything, the firm will do in response to the recent raises in Atlanta.

“We’ve been somewhat fortunate here in Savannah because we’re a city where people want to move to, so salary isn’t everything,” said Kachmar.

Nonetheless, he said firm management looks at market shifts in Atlanta and hears from associates about the increases. “Oh, it’s on their radar,” said Kachmar.

Elarbee, Thompson, Sapp & Wilson, an Atlanta labor and employment boutique of about 30 lawyers, pays first-years \$100,000 a year. The firm’s administrative partner, R. Lee Creasman, said that his firm has a structured bonus program for associates and the firm was evaluating that to try to address the recent salary changes.

“We pay attention to the increase and really try to look at the total compensation package that we can provide,” said Creasman.

He said the firm offers a balance, setting a lower minimum billable hours requirement than some of the mega-firms so that associates who want to work fewer hours can “still contribute” while rewarding associates who do more. And that can result in a competitive advantage, he said.

“We maintain low overhead in terms of the base salary, but then we’re able to reward associates through bonuses, and as a result our rates don’t have to be artificially high,” said Creasman.

But even the head of another small firm who says he’ll match the prevailing market rate said that big firms may be pricing themselves out of good work as a result of their salary increases.

“I think it is ultimately going to be beneficial to my firm,” Joseph D. Wargo said of the salary increases. Wargo is a founding partner at an Atlanta firm of fewer than 20 lawyers, Wargo & French.

Wargo said his firm is paying first-years the old market rate of \$115,000 and intends to match the market rate “where the final numbers settle in.” But he said his firm’s low overhead allows the firm to raise pay more easily while keeping billing

rates relatively reasonable.

He said his offices, in The Proscenium building at 1170 Peachtree St. in Midtown, aren't extravagant. Plus, said Wargo, "I don't need to make a million dollars in order to have a very happy and comfortable living." He said that's an advantage that will only increase as large firms raise their rates to keep up with increases in overhead, including salary raises.

"I think a lot of the larger firms are pricing themselves out of work in the Atlanta and the greater Georgia market," said Wargo, "and I understand that firms are indicating that they aren't going to raise their rates, but every client I've spoken to doesn't believe that."

Becky A. Powhatan, executive vice president and general counsel at The Weather Channel, said that her company uses Kilpatrick Stockton for intellectual property "and other significant work which requires expertise" and is giving work to Elarbee Thompson as well. But she said the company has taken other legal work to a firm in Norfolk, Va., where the company's parent is based and rates are lower, and has hired more in-house lawyers to save money.

Powhatan said salaries and other increasing costs to law firms contribute to higher law firm rates. She said she understands law firms' moves but warns of consequences.

"I think they're trying to get the best recruits possible ... when they are competing against firms in D.C. and New York and other cities they have to price comparably, so I do understand it," she said. "But I think they're certainly pricing themselves at a rate that smaller companies will begin to move away from them."