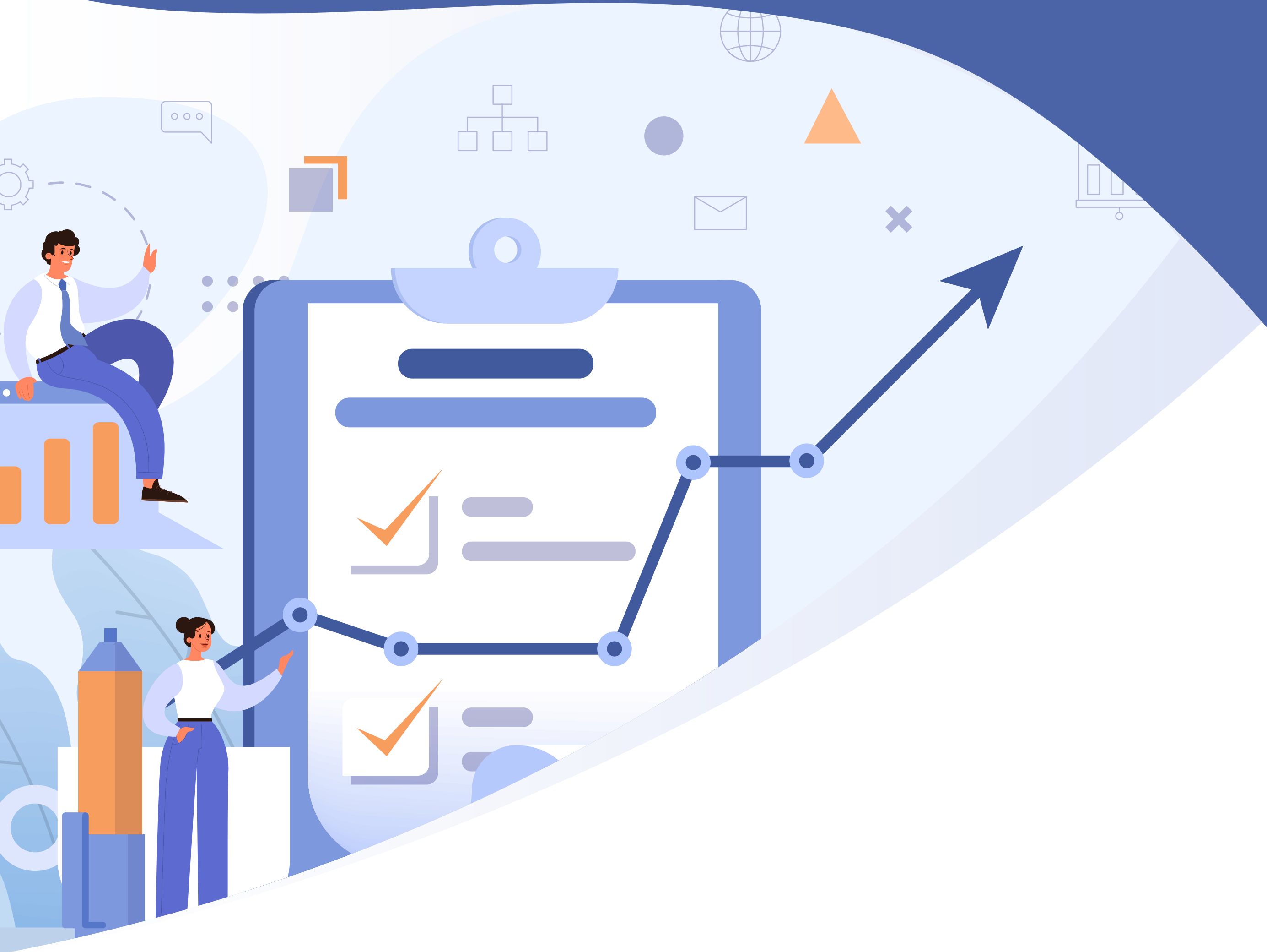

ALA 2022
BENCHMARKING SURVEY
EXECUTIVE SUMMARY

alanet.org/benchmarking

Introduction

ALA's 2022 Benchmarking Survey provides a baseline report on many factors that affect law firm profitability. Respondents provided information on compensation and its determinants for equity and nonequity attorneys as well as associates. The survey also covered hourly rates, billable and nonbillable hours, modifications to billable hour policies, alternative billing methods, common expenses, outsourcing, and office space expectations. This executive summary provides a sampling of the key findings from the 2022 Benchmarking Survey. Order your copy today to receive full access to the report.

The survey revealed substantial increases in the time and effort required of law firm personnel. One in four attorneys and staff members reported workloads greater than they could handle, with many expecting the situation to become more challenging in the coming years. Post-pandemic, firms seem to have settled into hybrid working arrangements, with nearly one in four people working remotely all scheduled days. A majority of law firms — especially smaller ones — outsourced at least one service, most commonly information technology. In the area of compensation, the survey highlighted the importance of performance bonuses for nonequity partners and associates. Equity partners, in contrast, were more likely to receive a percentage of collected fees.

Located in all nine U.S. Census Regions, the responding firms reported median revenues of $6.9 million and median operating expenses of $4.24 million. They typically employed 32 people (including attorneys). Some 60% were single-office firms. Of those, 62% were partnerships and 11% were solo practices. The survey data were compiled and analyzed by intelligence solutions provider Readex Research Inc.

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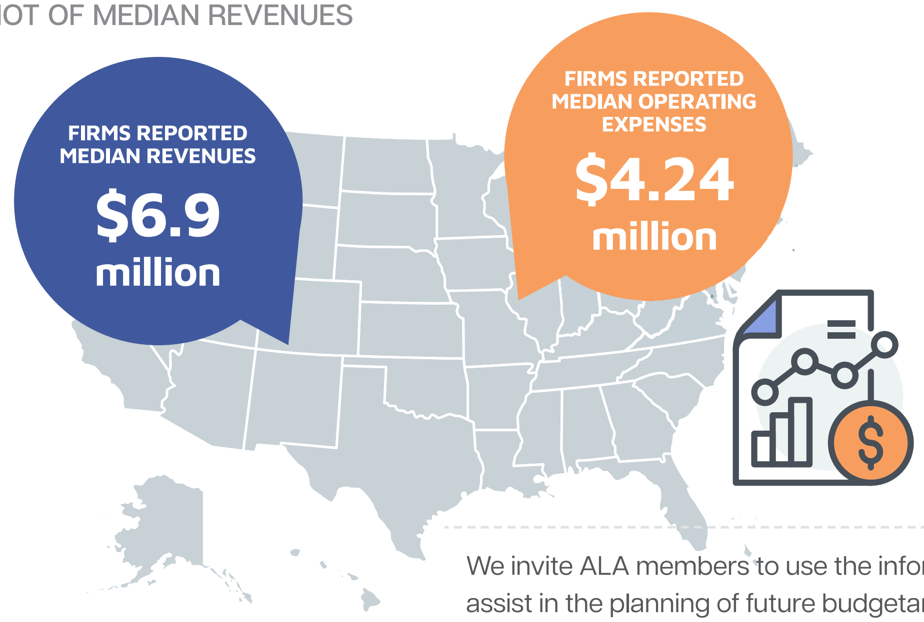
SNAPSHOT OF MEDIAN REVENUES

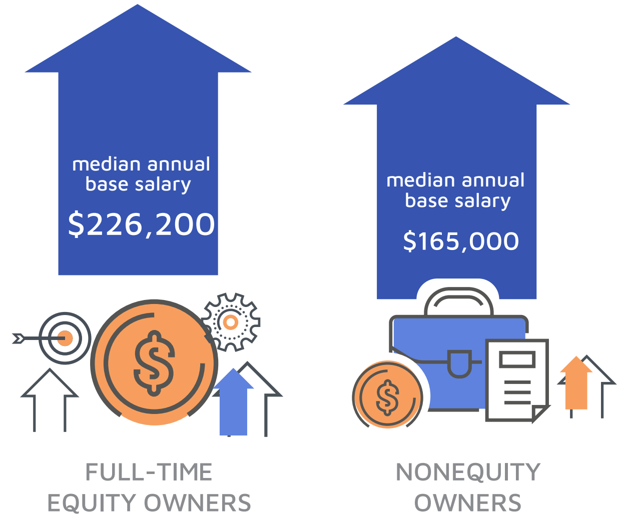


We invite ALA members to use the information in this survey to assist in the planning of future budgetary and staffing decisions.

For additional insights see the following highlights.

Compensation

Compensation and bonuses tended to increase with the size of the firm. Law firms with full-time equity owners reported a median base salary of $226,200 for full-time equity partners/owners and an average additional median cash compensation of $55,000. Compensation for nonequity partners was notably less, coming in at a median annual base salary of $165,000 and a median cash bonus of $24,500. As for full-time associates, median annual base salary came to $109,700 and median additional cash compensation came to $9,000.



Compensation Determinations

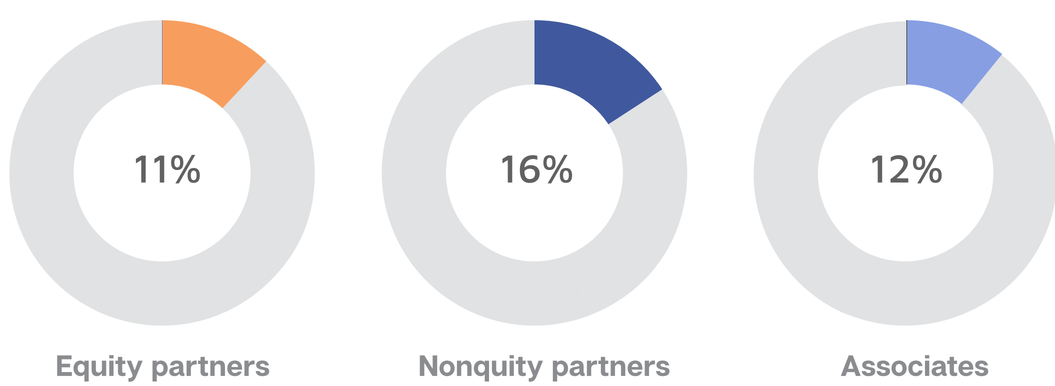
Salary was by far the most popular compensation determination for full-time equity partners, reported by 51% of responding firms. The option was far more common for nonequity partners, offered by 72%. And the option became nearly universal for full-time associates, offered by 84%.

Percentage of collected fees was the second most popular compensation option for equity partners, offered by 48% of responding firms. The figure was 42% for nonequity partners and 18% for associates.

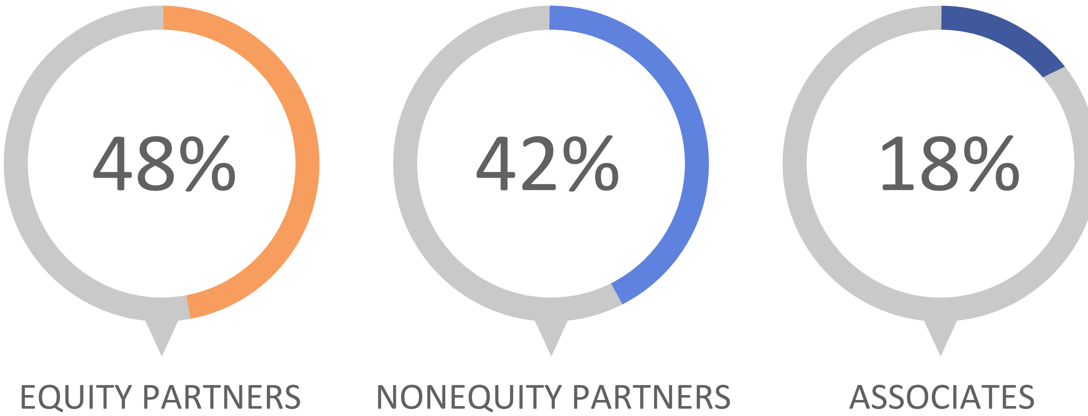
The further down the organizational chart, the greater the reliance on performance for pay. Performance bonuses were the third most popular option for equity partners, offered by 24%. The option was far more popular for nonequity partners, offered by 46%. As for associates, the figure was 59%.

Other compensation determinants were much less commonly used. New business bonuses were utilized by 12% of firms for equity partners, 16% for nonequity partners and 11% for associates. Percentage of fees billed was offered by 10% for equity partners, 9% for nonequity and 6% for associates. Tenure bonuses were offered by 2% for equity partners, 1% for nonequity and 3% for associates. The higher report for the latter might be due to the need to reduce firm hopping.

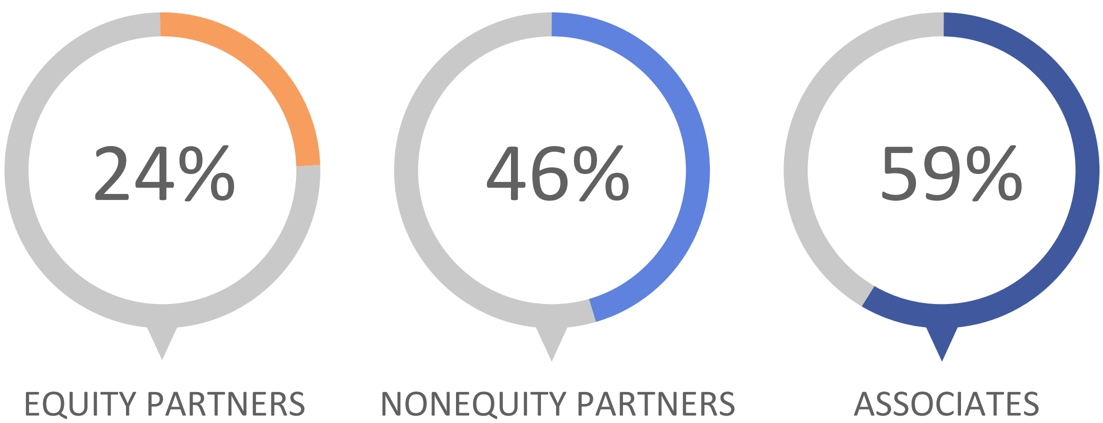
NEW BUSINESS BONUSES UTILIZED BY:



PERCENTAGE OF COLLECTED FEES AS A COMPENSATION DETERMINANT

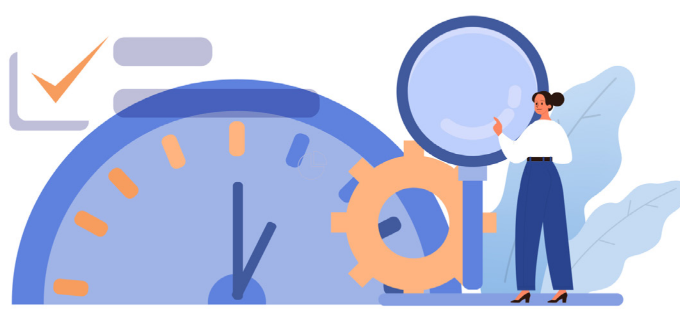


PERFORMANCE FOR PAY AS A COMPENSATION DETERMINANT



Hourly Rates

Four out of five respondents confirmed an industry tendency toward standard hourly rates for equity and nonequity partners as well as associates. Hourly rates did not vary appreciably by position. Median typical rates came to $380 for equity partners, $363 for nonequity and $362 for associates. Maximum rates were $472, $436 and $418.



Billable Hours

Annual billable hours hovered around the 1,600 mark for equity and nonequity partners as well as associates. Less than one in four billed more than 1,800 hours.

Also, 42% of respondents said they had no minimum billable hours policy for equity partners. Meanwhile, 29% said the same for nonequity partners and 24% for associates. Roughly half of respondents did not make any changes to their minimum billable hours policy for equity partners. Three out of five made no changes to such policies for nonequity partners and associates.

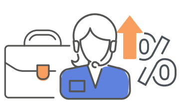
As for billing methods, hourly tracking was more common than alternative methods such as flat or contingency rates. Flat fees were the most popular alternative billing methods, being used by 65% of respondents. The second was contingency based, used by 37%.

Nonbillable Hours

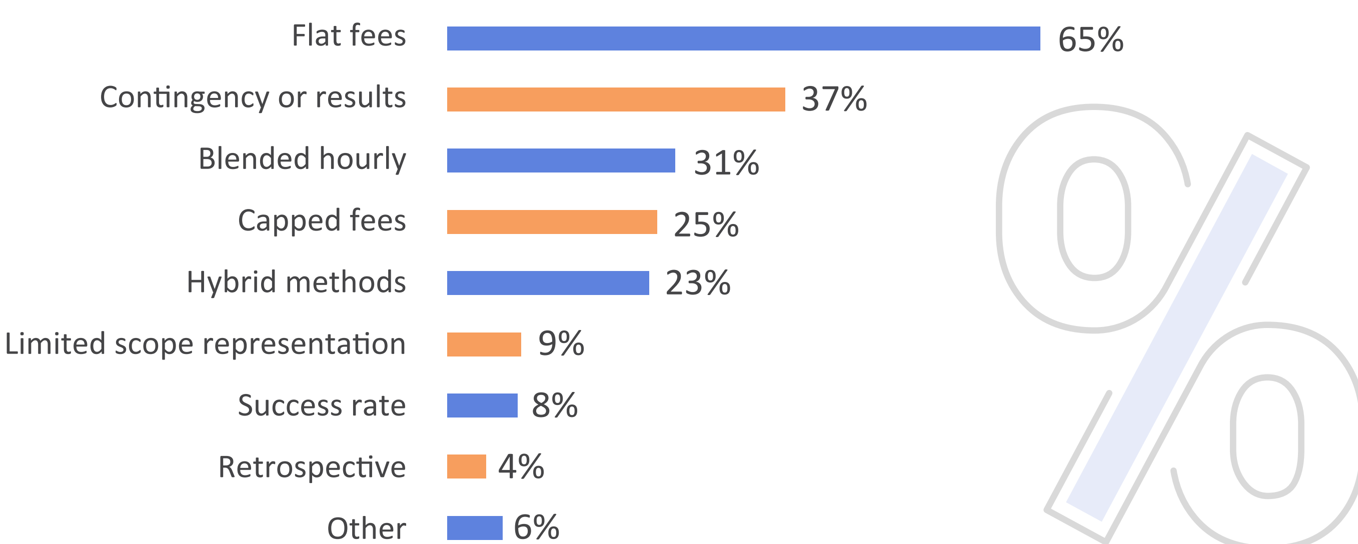
Marketing and public relations accounted for the most nonbillable hours. One in four firms said equity partners spent between 100 and 199 hours in those two activities. One in five firms reported that nonequity partners spent the same time on the activities. More than half said associates spent less than 100 hours engaged in the activities.

Office administration was something of a time sink for some equity partners, who spent between 100 and 199 hours on the activity at one in four firms. More than half said that nonequity partners and associates spent less than 100 hours engaged in the task.

Legal work and research was the only other notable category in the nonbillable hour mix. Three out of five firms said their equity and nonequity partners spent less than 100 hours on the task, while only 16% said associates spent from 100 to 199 hours.



PERCENTAGE OF RESPONDENTS USING ALTERNATIVE BILLING METHODS

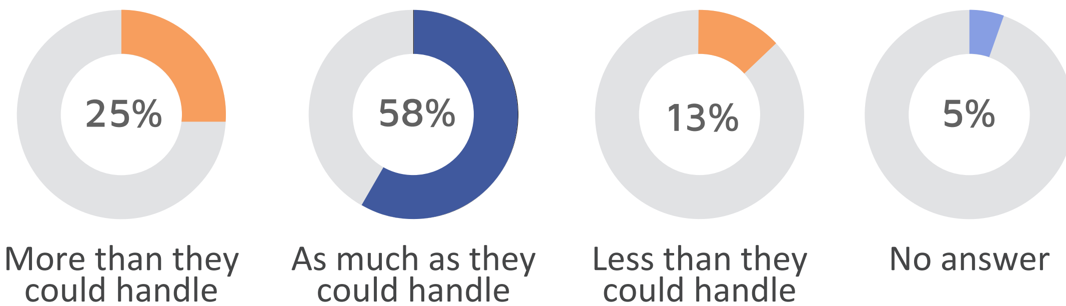


Workload

More than half of attorneys and staff members said their workload was about as much as they could handle over the past year. One in four, though, said their workload was more than they could handle.

Meanwhile, 56% of attorneys and 46% of staff said their workload had increased over the past two years. Looking ahead, roughly the same portion expect workloads to increase again over the next two years.

ATTORNEY WORKLOAD



Remote Work

Prior to the pandemic, regular remote work scheduling for attorneys was done by 30% of firms and for staff by 21%. Firms with multiple locations were more likely to entertain such arrangements. As for single-location firms, 70% had no such arrangements for attorneys and 79% had none for other staff.

Post-pandemic, firms have seemed to adopt hybrid work arrangements. By fall 2021, some 22% of attorneys and 16% of staff worked remotely all scheduled days. Some 38% of attorneys and 51% of staff worked at the office all scheduled days.

Three out of five respondents expected their remote working levels to remain about the same in the future for both attorneys and staff. One in four expected it would decrease some for both groups of personnel, but not all the way back to prepandemic levels.

Remote working arrangements did not come without costs. Nearly all firms had to provide some equipment or software to facilitate remote work arrangements.

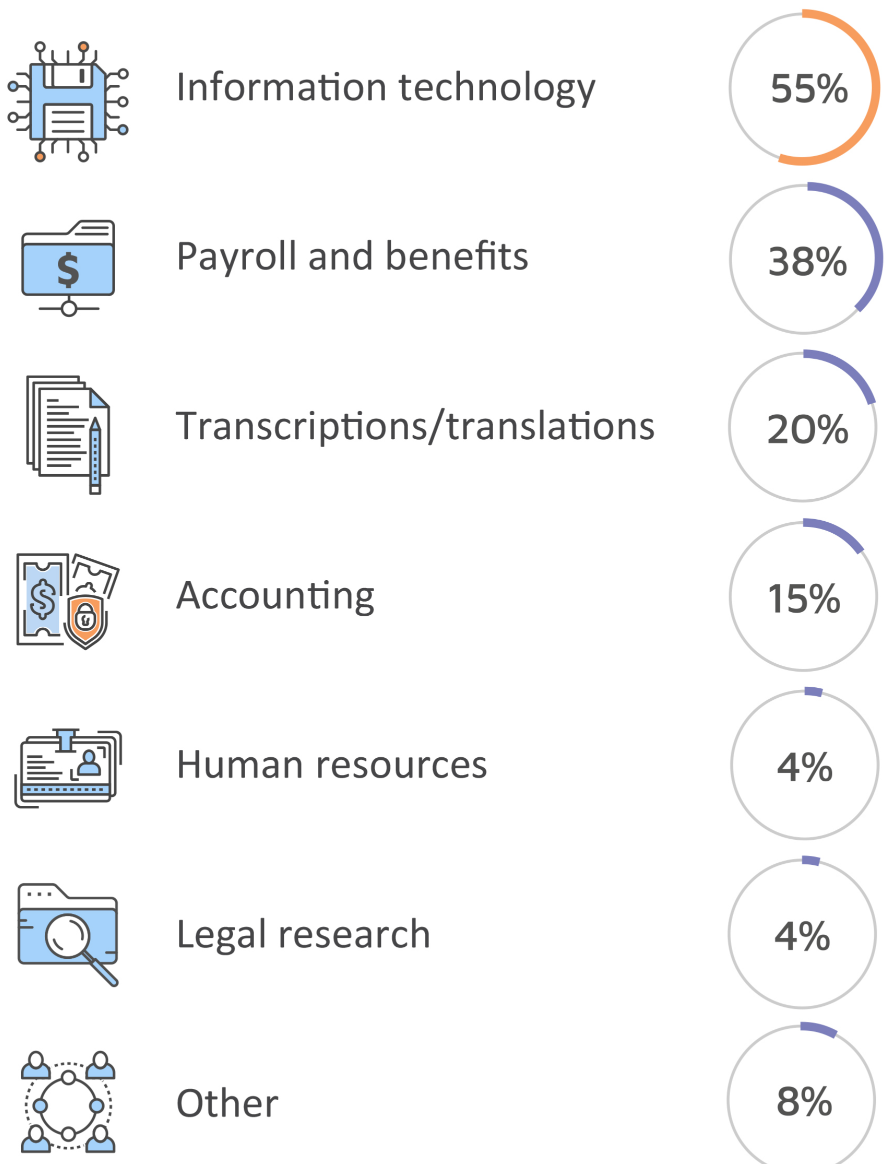
Expenses

When it came to billing clients for expenses, the largest such category was for attorneys' travel, billed by 72% of firms. About the same portion billed for paralegal or legal assistant work. More than half billed for such categories as legal research, postage and photocopying.

Outsourcing

Some 76% of respondents outsourced at least one service over the past year. The practice was more common among smaller firms. Over half of firms outsourced information technology. But firm size was again a factor: Only one in three firms with more than $20 million in revenues outsourced IT. Payroll and benefits were the second most commonly outsourced category, reported by 38%. Far less common were transcriptions and accounting.

OUTSOURCING OF SERVICES



Rent vs. Own

Nine in 10 firms rented their office space. Roughly half of correspondents anticipate their space requirements to remain about the same in the year ahead. One in three expect to require less space, while one in five expect to require more.

This summary has highlighted some of the most significant findings of our initial survey. Please refer to the survey itself for additional information about industry compensation and related operational matters.

ALA thanks the respondents for their time and attention.