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## More Law Firm Business Staffs See Discretionary Bonuses

By **Emily Sawicki**

Law360 (November 27, 2024, 3:50 PM EST) -- Law firms' administrators and staff have reported more discretionary bonuses, longer parental leave, increasing work-from-home policies and an overall decline in turnover rates, according to the latest annual report produced by the Association of Legal Administrators.

In its report, published Monday, the ALA found that of the 225 firms that responded to its 2024 Compensation and Benefits Survey, the majority increased some key benefit areas for employees, although overall only 15.6% reported raising both compensation and benefits.

The 225 firms operate a combined 1,012 office locations and employ professionals in 81 various positions, the ALA said. The median number of lawyers employed at each office location was 13, with most participating firms having fewer than 50 lawyers per office.

Each year, the ALA compiles a survey of compensation and benefits data from various U.S. law firms, asking firms to report on data as of Jan. 1 of that year, meaning the 2024 report contains data from calendar year 2023.

The association has been gathering data since 1972, one year after its founding, according to executive director Eryn Carter.

"Every year, new job titles and levels of responsibility emerge as the industry evolves, and ALA's Compensation and Benefits Survey defines these new positions and their value to firms," Carter said in an email to Law360.

"The survey was developed to help legal managers discern benchmarks for competitive compensation and improve their organizations' ability to attract and retain top talent," Carter added. "We invite ALA members to complete the Compensation and Benefits Survey each year as it contributes to a more robust data set. The more firms participate, the more localized and useful the results will be."

This year, more than half of firms — 57.8% — reported raising wages for current employees, which represents a dip compared to last year, when 63.9% of firms said they increased compensation.

The median hourly wage for a paralegal or legal secretary at the firms that responded to the survey rose by 4%, the ALA reported. First-year associates' starting pay remained at a median of \$166,220 across participating firms, aligned with the previous year's data.

Of the firms that responded to the survey, about 82.7% reported "at least a portion of their staff worked from home" in 2023, representing an upward trend dating to at least calendar year 2018, when just 38.7% of firms reported work from home policies were in place. Every year since then, that rate has steadily increased.

When asked if anything surprised her in this year's data, Carter pointed to the sustained popularity of work-from-home policies.

"Regarding remote work, the surprise comes with how engrained remote work has become and the fact that it isn't going away," Carter said in her email. "It is evident in the survey results that firms have to offer hybrid and remote work to compete for talent. Firm administrators are continuing to

talk about the best practices and policies that are responsive to requests for remote work."

Carter also pointed to parental leave policies. In this year's survey, firms reported maternity leave "drifted upward slightly" to between 10 and 13 weeks for firms that offer the benefit, while paternity leave also rose, to between eight and 10 weeks.

"Families are more diverse, the division of labor has changed, and law firms are recognizing and providing expanded parental leave benefits," Carter noted.

The number of firms offering additional benefits like defined benefit retirement plans, retirement savings plans with employer contributions and membership dues for professional associations are all up compared to the previous year's reporting, though firms that cover courses and test fees for professional certifications took a dip to 57.4% compared to last year's 64.4%.

In the newest report, 84.7% of firms reported offering discretionary bonuses, up more than 6 percentage points from the previous year. Also up in 2023 compared to previous years are recruiting bonuses, at 52.4% of firms, up from just 32% of firms that offered them in 2020. The big leap in recruiting bonuses was recorded between 2021 and 2022, when the number jumped more than 13 percentage points.

The rate at which firms offer merit bonuses — 45.9% in 2023 — has remained fairly steady in recent years, according to the data. Though taking a slight dip in the latest data, signing bonuses are up overall since 2020, with just over half of firms reporting offering such bonuses.

Tenure-based bonuses are also up since 2020, rising to 37.3% of firms reporting them in 2023, compared to fewer than a quarter offering them four years ago.

Larger law firms — those with 200 or more attorneys — reported the greatest efficiency in staffing, with seven attorneys per paralegal and 6.4 attorneys per secretary. They also reported a relatively low rate of staff turnover, at 10.5% in 2023 — the lowest turnover rate of any size firm except those with fewer than 10 lawyers.

Turnover rates in general have continued on a decline since the pandemic, according to the report. Attorney turnover dropped off to a median of 6.3% among all firms, down from a high of 11.1% during the COVID era. The same trend could be seen in professional staff.

"Median staff turnover came to 10.9% for all firms as a group, down from last year's 12.5% and continuing a multiyear gradual decline," the report stated. The prepandemic figure had been 25%.

This was especially true for the smallest firms. "For the third year running, firms with fewer than 10 attorneys reported virtually no median turnover for any category of personnel," the report said.

Among firms that reported standard hourly rates and minimum billable hours, those rates remained steady in calendar year 2023 compared to previous years' reporting, with equity partners reporting an hourly rate of about \$500, while nonequity partners billed \$450 and associates, \$325. For the fourth year running, the median billable hour goal for associates working full time was 1,850.

Where last year's data does deviate is in alternative billing methods, with 66.5% of respondents indicating they used "at least one alternative method for equity partners," up 6 percentage points over the calendar year 2022 data. Among those methods, flat rates came in as the most popular.

Carter said the ALA hopes the survey data is useful to firms for a range of applications, including helping firms better understand the market and how their competitors are operating.

"Law firms can benchmark themselves against competitors within their primary market and across different geographic regions, ensuring they remain competitive in attracting and retaining top talent," Carter said. Data also helps firms attract talent, budget and plan for strategic growth, she added.

--Editing by Robert Rudinger.

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