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Peer Pressure Compels Law Firms to Raise Summer Associate Salaries

Melanie Lasoff Levs
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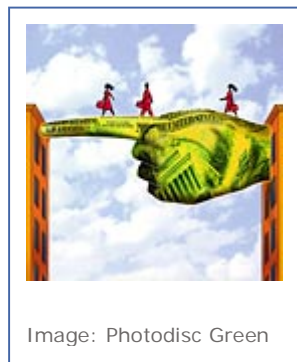


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Reminiscent of the teenage girl who conforms her fashion choices to those of her clique's alpha, many Atlanta law firm recruiters -- when pressed on summer associate salary details -- first asked, "Well, what are other firms doing?"

Then they followed the alpha.

"Same ole" would have been the likely answer for the past several summers.

But this summer, the question took on new relevance in the wake of several large firms announcing first-year associate salary increases

from \$100,000 to \$115,000.

At many firms, summers' weekly pay is the entry-level associate's annual, divided by 52. Even if that's not the formula a firm uses, summer salaries usually are increased at roughly the same pace.

Though few would admit to it, law firms seem to be feeling extra pressure when it came to deciding this year's summer associate pay. Of the 24 firms that participated in the *Daily Report's* annual summer associate salary survey, more than half noted they were paying the same as last year when the survey officially closed on May 8.

However, after follow-up phone calls, several announced they actually were raising weekly pay retroactively, some more than two weeks after their summers arrived.

At press time, eight of the firms were paying summers the same as last year, although some admitted that might change. Sixteen of the firms now are paying summers \$2,000 or more a week, compared with two last year.

GOING UP

The answer, recruiters and other law firm managers explain, goes back to that initial question: "What are other firms doing?"

Salary data for 2006 is not yet available from the National Association for Law Placement, according to Fred Thrasher, deputy director, but he says law firm management in much of the country, including major cities such as Atlanta, has increased entry-level salaries during the last six to 12 months.

Therefore, he says, he expects this summer to see an increase in summer associate salaries as well. "They usually move somewhat in tandem," he explains. "This is the first year we will see adjustment as the result of the significant entry-level salary adjustments that have taken place in the past year."

The previous two years, however, showed a decline in entry-level salaries, according to the Altman Weil Survey of Law Firm Economics. The average 2004 starting salary for firms with more than 150 lawyers was \$95,557. For 2005, the average starting salary for those firms was \$89,737. The average nationwide starting salary was \$74,575 for all firms in 2004, but for 2005 it was \$73,961, says Virginia Grant, senior consultant at Altman Weil.

However, Grant says summer associate salaries have risen in part because of the trend of students splitting their summers between two firms.

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"As a result, firms have competition and are increasing salaries just like they're doing for first-years," she explains. "They know their potential candidates are being exposed to other firms, and they want to entice them to spend their whole summer with them but want to 'one-up' the other firms."

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Jonathan W. Lowe, hiring partner in Alston & Bird's Atlanta office, agrees competition was the reason the firm raised its summer salary from \$1,900 for 2005 to \$2,100 for 2006. "In each of our offices, we do our best to keep ourselves informed about what the market is, and we make sure we are paying what we believe is the appropriate salary level given the state of the market," he says, adding that there are 60 students versus 39 last summer, which he attributes to growing needs at the firm. "It seemed appropriate for us to provide an increase in view of the fact we had provided increases for our regular associates."

Most other firms that raised their salaries -- on average of a couple hundred dollars per week -- also cite "the market" as the reason for the change. "We look to the market, but we don't let the market dictate to us," says David Gevertz, personnel partner with Ashe, Rafuse & Hill, which has three summer associates this year. The firm raised its summer salary from \$1,923 in 2005 to \$2,211. "We compete head to head with the big firms, so we look for every opportunity to reassure folks that when they come to work with us, they are not having to make any compromises for compensation."

This year, McKenna Long & Aldridge raised its summer associate salary from \$1,750 for 19 participants to \$1,900 for 22 participants and is paying the first- and second-year summers the same amount, according to Jennifer S. Queen, director of legal recruitment and professional development. This decision, too, is to keep up with the market, she explains. "We haven't done that in the past," she says, "but they do the same work."

When summer candidates consider jobs, firm management must realize that pay often is a factor, says Queen. "Summer associates sometimes choose jobs in other cities where they're going to make more money -- they have huge debt, and sometimes their choices are driven rightly by where they can maximize their earnings," she explains. "Somebody may really want to do public interest or practice in a DA's office, but they are strapped with this debt, and they say, 'What are my choices? I can go to a firm for three years and knock a good bit of it off and then do public interest or start out in public interest, and it will be more difficult [to pay off the debt].'"

DIFFERENT WORLDS

Those who work in public service see the salary issue differently, says Marian Burge, deputy director of the Atlanta Legal Aid Society. She says when she started in nonprofit, the entry-level law firm salary was about twice as much as the entry level for associates at Legal Aid. Now, it's often more than four times as much, she says: "We're in different worlds."

This summer, the nonprofit organization, which offers legal services to the metro area's poor, has 14 students working: Four received fellowships from their schools, four are paid \$586 per week by the Society and the rest are full- or part-time volunteers, Burge says.

"We don't compete [with large-salaries in law firms]. We're going after a different segment of the market," she explains. "We're looking for folks who are really focused on the kind of work we do."

Burge says she recognizes the importance of paying off loans, so the organization offers a benefits package that includes up to \$500 per week in loan reimbursement. (That's \$2,000 a month.) Legal Aid also has paid parental leave and a generous insurance package to attract associates, she adds.

"There are a lot of different ways we keep people," she says. "It's the quality of the work and the support people get here. The fringes are great, and the salaries are enough. They are not great, but they're enough."

The increase in summer associate and entry-level salaries at big law firms can potentially help Legal Aid fund-raise, Burge explains. "Lawyers in this town are very generous in supporting our program. We're not trying to compete with them, but we do appeal to them that if they can come up with that kind of money for their associates, how about coming up with a little bit more than what they come up with generously for our associates?" she says. "It is an appeal that works with a lot of the big law firms."

Some of the smaller Atlanta firms did not raise their summer associate salaries.

Ogletree, Deakins, Nash, Smoak & Stewart is paying its two summer clerks the same amount it paid its two last year: \$1,800, says Greg Hare, recruiting director. The boutique labor and employment firm also did not raise its entry-level salary when the large general practice firms did, and Hare says he does not believe the other labor and employment firms did either.

Hare is correct. Neither Fisher & Phillips nor Ford & Harrison reported increases in our survey.

"That's really our benchmark," he says. "If our associate scale moves, we move our summer associate scale, but we have not made a move in the past year, so we have not made a move in the summer scale either."

Management decided it was not necessary to raise salaries to stay competitive, Hare says. Those typically working -- and spending summers -- with the firm already want to specialize in labor and employment, he explains: "We have some great associates now, and we believe we will continue to get great associates in the future and will move our scale as the need comes."

THE SALARY NONDISCUSSION

Is salary discussed with potential summer candidates? Hare and other recruiters say students today are savvy when it comes to doing research about the firm beforehand; often, they already know the firm's summer associate salary or at least its entry-level salary. Law school placement offices, as well as NALP, collect salary data on firms.

"There is so much information available, and we assume [candidates] would not be sitting in front of us if they had not done their research and due diligence," says Hare.

Even when the summer season started -- as early as May 8 for several firms -- some firms still were doing due diligence on summer salaries. At least five firms changed their summer associate salaries after students already had begun work.

At Kilpatrick Stockton, the discussion to raise the salary "has been a work in progress," says Burleigh L. Singleton, the partner in charge of the summer associate program. About two months ago, the hiring committee recommended raising the salary for summers across all the firm's offices, he explains, and the idea had to get "various approvals" before becoming finalized. Last year, the 40 summers in the firm's Atlanta office made \$1,900; this year, the 49 summers are making \$2,150.

It is unusual to change salaries during the summer, Singleton admits, "but if you look at what happened with the Atlanta market when associate salaries were adjusted, that extended the process or started the ball rolling on whether we would make an adjustment in summer salary. There is no magic formula; we look at what the entry-level associate would be making, and that factors into our analysis."

Kilpatrick Stockton includes salary terms in the acceptance letters it sends in the fall to the new summer class, Singleton says. At press time, he had not announced the raise but says he planned to bring the group together to do so within the next few days.

Holland & Knight, too, adjusted its summer associate salary after the summer began. This year, the entire firmwide partnership had been evaluating overall salaries, according to Jessica Dempsey, attorney recruitment coordinator in Atlanta, and did not want to make any announcements about adjustments until all markets had been analyzed. "Rather than doing them office by office, we want to present them all at once," she says. "Each market is moving at a different pace, and we haven't completed the full evaluation before the summer program."

About an hour later, Dempsey called back to announce Atlanta was raising its summer associate salary to match its entry-level salaries. This year, the five summer clerks will be making \$2,200 per week, raised from \$1,900 per week last year. "Because entry-level salaries increased, we're just increasing summer salary to match," says Dempsey. "That's what everyone does."

Not quite. Most firms in Atlanta are not matching first-year salaries for their summer associates but are coming close. For the past two years, Sutherland Asbill & Brennan has raised its summer salary in the middle of the summer, says Kim Hensarling, attorney recruiting manager. When she started at the firm in 2002, the summer salary was \$1,750, which then went up to \$1,850 during the summer of 2004. The salary went up to \$1,900 during the course of last summer, she says. "It's not out of the question we will raise our salaries, but at this point, we've kept them at the same rate as last year," she says. "We just haven't made any changes yet; that doesn't mean it's not going to happen."

And so it did. On May 30 Hensarling confirmed the firm was raising the salary again for its 30 summer associates to \$2,100.

Melanie Levs is an Atlanta-based freelance writer.