

Insights into City partners' compensation and satisfaction

Major, Lindsey & Africa's Nick Paleocrassas on the London Partner Compensation Survey

Our recruiters across the globe spend a lot

of their time talking to clients and candidates about satisfaction. These conversations take place at an institutional level – whether a law firm is satisfied with its practice area, sector or geographical coverage, or whether a major corporation is satisfied with the structure of its in-house legal team – but also at the personal level. When talking to individuals in the context of their careers, it does not normally take long to link satisfaction with money. We were interested in exploring this link more rigorously.

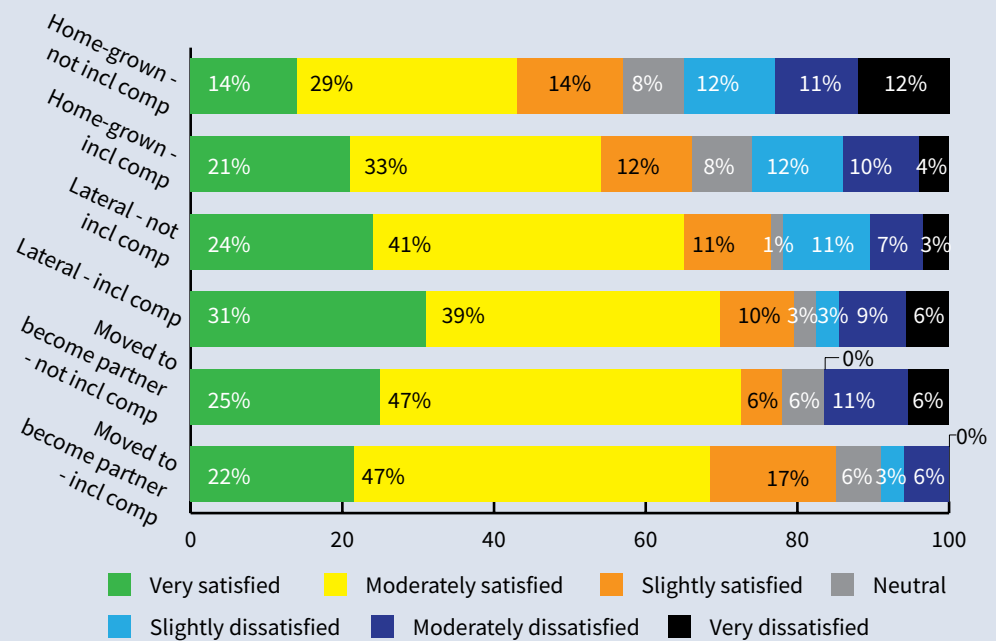
Having run a successful Lateral Partner Satisfaction Survey together in 2016, Major, Lindsey & Africa partnered again with specialist legal research company Acritas to carry out a new survey, one focused on the subject of compensation. In order to preserve the integrity of our findings, Acritas only canvassed partners practising in the London offices of the top 30 UK firms, as well as the 70 or so US (primarily AmLaw 100) firms with offices in London. We had responses from partners representing 67 firms.

The results of the survey brought to light many positives about those at the top of the legal profession. Overall, City partners reported far higher levels of satisfaction than those reported by lawyers across the UK legal sector more broadly, with 69% of respondents classifying themselves as 'very satisfied', 'moderately satisfied' or 'slightly satisfied'. When asked to consider how much they earn, it was refreshing to note that the sense of perspective created by the question led, for most, to a positive re-evaluation. An even higher percentage – 76% – described themselves as not satisfied when thinking about money and their earning potential.

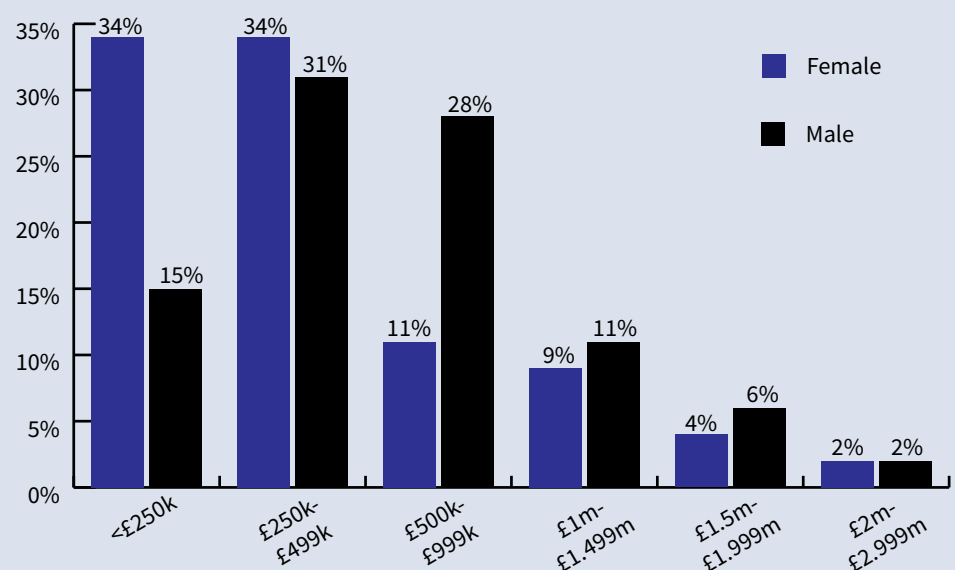
The survey also accentuated some of the challenges that come with practising law at the highest level. We work regularly with female partners looking to move firms, so we were fully expecting that compensation for male partners would outpace that of female partners. It did by 24%. The gap may reduce for top performers, narrowing significantly once earnings exceed £1m and evening out completely once earnings exceed £2m, but female partners earn on average around £500,000 per year, compared to the average of around £670,000 earned by their male counterparts.

We had not expected that the difference in the amount of revenue that women and men originate would only be 10%. Women do not tend to fight

SATISFACTION WITH LIFE AS A LAWYER BY PARTNER TYPE



TOTAL COMPENSATION BY GENDER



for credit as ferociously as men and often work in ancillary areas of the law which are perceived to be less profitable, such as employment, competition and intellectual property. Women are also more likely to share credit than men, even when it may not be appropriate or necessary. As

such, we thought that the origination gap would have been wider. Our questionnaire defined originations as the total value of work of which the efforts of the partner were the proximate cause of such work coming to the firm. Female partners were responsible for average originations of

around £1.8m per year, whereas men originated around £2m. This comparison leads to an uncomfortable, but inevitable conclusion: there can be no denying that factors other than the ability to generate revenue must account for the majority of the gender pay gap.

Over half of the partners surveyed felt that some kind of bias plays a role when it comes to determining compensation. Unsurprisingly, female partners are much more likely to identify gender bias than their male counterparts (37% vs 8%). The situation is not helped by the way law firms are allowed to calculate their gender pay gap. Lloyd's of London chief executive Inga Beale recently called for partnerships to stop excluding partner compensation from their calculation, on the basis that the compensation picture is skewed absent full disclosure. Genuine transparency would reveal the true scale of the problem and provide more clarity on what needs to be done to fix it.

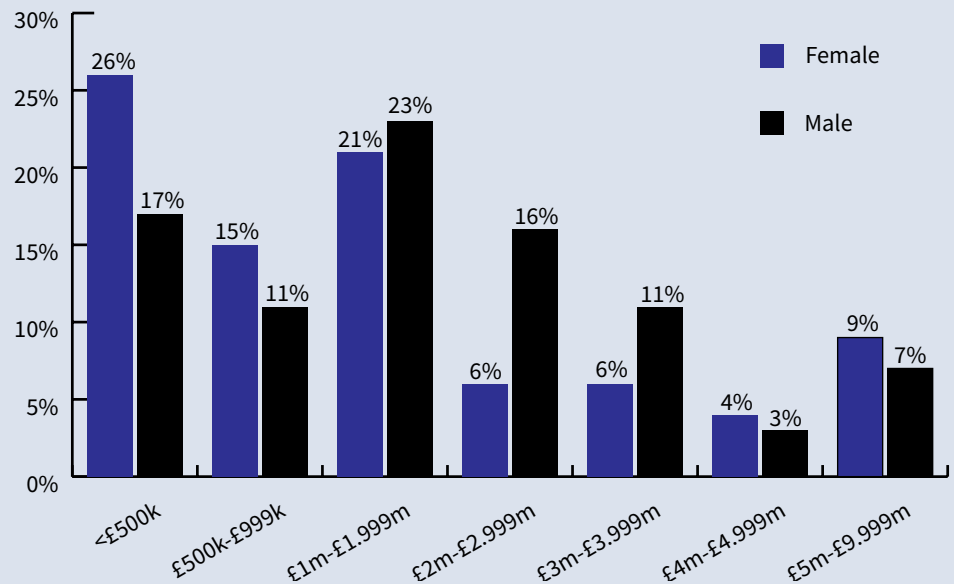
It is hardly groundbreaking to suggest that law firms' fundamental problem is that too few senior management positions are held by women, in part because there are not enough women partners across the City. There is compelling evidence that the way law firms are structured excludes women from developing the kind of client relationships they need in order to advance in their careers. Greater participation of women in law firm leadership is an important step to addressing this. However, our survey brings into sharp focus the fact that there needs to be an appropriate representation of women, specifically on compensation committees, in order to prevent gender bias from perpetuating.

The survey also drew our attention to bias against home-grown partners. We received almost the same number of responses from partners who had moved laterally in their career (39%) as we did from partners who had spent their entire careers at the same firm (41%), so the different treatment of the two groups was easy to highlight. Satisfaction among laterals was notably higher, with 76% of lateral partners describing themselves as satisfied, compared to 57% of home-grown partners.

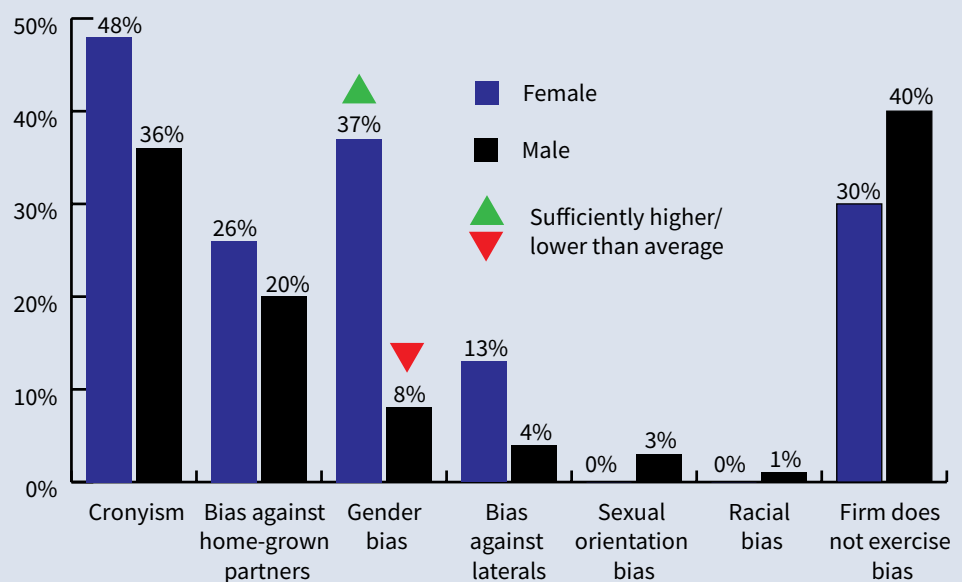
Since many of today's laterals are yesterday's disaffected home-grown partners, we might expect this to be the case. Laterals are often able to address fundamental compensation concerns in the process of moving firms. Laterals also benefit from the fact that they tend to bring new clients with them to their new firms. Of the 30% of partners reporting that they work primarily for their own clients, as opposed to servicing the clients of others, the vast majority were laterals. Similarly, the majority of partners reporting that they originate more than £2m per year were ones who had moved firms. Such laterals are highly valued by law firm management and often receive much more internal attention, as well as external recognition from the media, than home-grown lawyers, particularly those who focus primarily on the firm's legacy clients.

That said, we know that not all partner moves work out. Data collected from the same group of

TOTAL ORIGINATIONS BY GENDER



PERCEIVED BIAS BY GENDER



firms surveyed indicate that over 50% of 2011's lateral hires are no longer at the same firm in 2018. A key reason given by many laterals who move more than once is that firms are not great at integrating new partners. Poor integration processes create disgruntled partners who are more likely to keep an open mind about their options in the future. This suggests that the experience of partnership in the City has a normalising effect on satisfaction over the course of time. However, this was not reflected in the findings. It could simply be the case that partners who have never moved rate their experiences more harshly, given that they lack the frame of reference a move provides laterals.

While the survey findings are not as dramatic as to suggest that there will be an uprising of frustrated lifers looking to decamp to rivals, firms still might want to take heed and consider paying

more attention to some of their more neglected partners. Recent market activity shows that there are plenty of firms in London with big plans, big ambitions and big cheque books that are ready and waiting to pounce.

The full report of the London Partner Compensation Survey is available to download at www.mlaglobal.com.

Nick Paleocrassas is a managing consultant in Major, Lindsey & Africa's partner practice group based in London. He can be reached at: npaleocrassas@mlaglobal.com

www.mlaglobal.com