

# The Legal Intelligencer

## Origination, Partner Comp Drop in Philadelphia

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by Lizzy McLellan | October 21, 2016

### Case Digest Summary

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According to Major, Lindsey & Africa's Partner Compensation survey, which was fielded in conjunction with ALM Legal Intelligence, Philadelphia was the only major U.S. city where partner compensation and originations declined since 2014, the year of the last survey. Each year's report is based on survey

results from the year before, and includes responses from partners at large law firms.

Average total compensation for Philadelphia partners was \$625,000 in 2016, down 11 percent from \$697,000 in 2014. The only city with lower average compensation was Seattle, at \$564,000. But that number showed growth for Seattle, which reported average partner compensation of \$438,000 in 2014.

But Meredith Frank, managing director in Major, Lindsey & Africa's partner practice group, said it's not something for Philadelphia lawyers and firms to be concerned about.

"What we saw in 2016 wasn't necessarily what I would characterize as a decline ... but more of a return to historical terms for Philadelphia," Frank said.

Frank noted that Philadelphia firms were also especially active in lateral hiring in 2013, and lateral hires often get bumps in pay. That activity could have contributed to the uncharacteristic highs in the 2014 survey.

But Jason Mandel, director of legal recruitment at Alevistar Group, said that may not have a huge impact, depending on the partner. Oftentimes a lateral move can negatively impact an attorney's first financial year at a firm, he said, even if it leads to long-term compensation gains.



Average originations in Philadelphia were also down, according to the 2016 survey, slipping from \$2.07 million in 2014 to \$1.9 million in 2016, a decline of 8 percent.

Again, Frank said that can be explained by Philadelphia returning to more usual conditions.

“In 2013 we were seeing a really robust turnaround in Philadelphia from the economic downturn,” Frank said. But now “things have kind of stabilized.”

Mandel noted that origination at large firms is often affected by how books of business are inherited or divided between partners, making it a “tricky” metric. “Philadelphia tends to be flatter in general,” Mandel said. So while it wasn’t hit as hard during the recession, he said, “its highs weren’t as high” once other cities had recovered.

In other markets, the shifts were much greater, with origination increasing 57 percent in San Francisco, 39 percent in Houston and 32 percent in New York.

And as their average origination credits dropped, so did Philadelphia partners’ satisfaction with their pay. Only 21 percent of Philadelphia partners reported that they were “very satisfied” with their compensation, compared with 33 percent in 2014. However, 57 percent of Philadelphia partners said they were “somewhat satisfied” in 2016, versus 47 percent in 2014.

The proportion of Philadelphia partners who said they were “not very satisfied” or “not at all satisfied” with their compensation only increased by 2 percentage points from 2014 to 2016. Only 5 percent said they were “not at all satisfied” in the recent report, and 17 percent said they were “not very satisfied.”

James Cotterman of Altman Weil said it’s unsurprising that compensation and origination would be down, as demand and productivity have been suffering in recent years.

“When those things drop, they’re going to have a significant effect on revenue,” he said.

But, Cotterman said he would not expect Philadelphia to be so out-of-step relative to other major cities after accounting for higher pricing structures in

some of the larger cities. He said it's possible that a different mix of respondents from 2014 to 2016 affected the results.

But the compensation survey wasn't all bad news for Philadelphia, Frank noted. Average total working attorney receipts in Philadelphia increased from \$1.06 million in 2014 to \$1.14 million in 2016. Average billing rates increased slightly, to \$600, from \$581 in 2014. And average billable hours increased from 1,615 to 1,689.

Frank said the increased attorney receipts and billable hours will likely offset some of the losses in origination.

A total of 1,613 partners responded to the survey, and 82 were from Philadelphia. Frank noted that the 82 respondents were "a perfect slice of the market" to assess, since the majority said they were planning to retire in 10 to 20 years, with some younger and some older.

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