

Confirmed: 2009 Was a Bad Year

By Larry Bodine, Esq. of Glen Ellyn, (Chicago) IL. He is a business developer with 20 years experience who helps law firms attract and keep more clients. He can be reached at 630.942.0977 and LBodine@LawMarketing.com. For more information visit www.LarryBodine.com.

No matter which statistic you pick, 2009 was a bad year for small to mid-sized law firms, according to the new ALM Survey of Law Firm Economics. The responses from 187 law firms, ranging from 1 to 150 employees (with only 7% from large law firms) were all bad news.



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A double-whammy occurred. **"Not once in 25 years has there been a decline in revenue per lawyer two years in a row,"** said David Brown, Editor in Chief of the *National Law Journal*. It dropped 5.5% -- the worst drop since 1985.

Added to this, "personnel **costs (especially spending on lawyers), actually increased** slightly in 2009," he added. Personnel costs consumed 78% of fee revenue in 2009.

Furthermore:

- It took 2.3 months on average to collect fees from clients.
- Equity partners wrote off 7% more unbilled time.
- Realization rates declined 3%, from 88% to 85.9%.
- **Equity partner compensation averaged \$358,000**, slightly up from 2008, but down from a 2007 high of \$374,000.

TOTAL COMPENSATION							
Status	Number of Offices	TOTAL COMPENSATION					
		Number of Lawyers	Average \$	Lower Quartile \$	Median \$	Upper Quartile \$	Ninth Decile \$
Equity Partner/Shareholder	375	4,223	358,035	224,400	303,571	427,423	582,431
Non-Equity Partner	245	1,277	217,147	163,790	198,750	247,912	321,431
Associate Lawyer	324	2,549	136,042	112,263	132,377	155,544	179,484
Staff Lawyer	43	195	132,698	99,644	127,492	157,355	193,378
Of Counsel	118	258	187,163	137,877	177,204	214,853	273,746

On the one hand, the average equity partner's billing rate was \$342 -- up \$10 an hour from the previous year. (To reach the top quarter of billable rates, a partner had to charge \$400 per hour.)

However, equity partners averaged 1,636 hours in 2009 -- down 3% from 2008 -- the second consecutive annual decline. Associates billed 1,746 hours on average, down

1.8%.

At .56 to 1, the ratio of associates to partners is at its lowest level in 25 years. This reflects the widespread layoffs of lawyers in 2009 and the cutbacks in hiring by mid-sized law firms. Firms of 21-150 saw declines of 11% or worse in the ratio.

 For more on this topic, call:
 Larry Bodine, Esq.
 Business Development Advisor
 Tel: 630.942.0977

E-mail: Lbodine@LawMarketing.com

Web: <http://www.LarryBodine.com>

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Category	Average	Top 10%
Associates	\$219	\$300
Staff Lawyer	\$234	\$350
Non Equity Partner	\$329	\$465
Of Counsel	\$343	\$488
Equity Partner	\$342	\$475