

Salary Review - A few tips when trying to get it right

Preparing for salary reviews

It is coming up to salary review time for many firms. There are many surveys being released, often with conflicting information about the role of money in motivating people. It is true the people often do not move jobs for money alone, the remuneration on offer can play a significant role, both in attracting a candidate to join your firm, or leading a current employee to “look around”.

Whilst money means different things to different people, for many people it is a motivator. Salary levels are as important to staff as income is to partners. Never be lulled into a false sense of security that money is “not that important”. Money allows people to finance the lifestyle they have chosen to live and the lifestyle they aspire to live. Sometimes partners without mortgages, and not paying school fees, forget that salary level can play a more important role at different stages of the lifecycle. In this age of increased personal debt, rising interest rates, repaying of University fees, high entry costs to the housing market and a focus on self funded retirement, the impact of salary levels on the attraction and retention of staff, and on the motivation to perform well should not be underestimated.

Pay market salaries or perish

A failure to pay market salaries is one way to ensure your staff consider their options elsewhere. Being paid appropriately is a form of recognition and sends a message to staff regarding how much they are valued. Whilst money is by no means the sole motivating factor at work, if you underpay, it is a definite de-motivator, and in this employment market this is likely to lead to staff moving to firms who will pay them the recognition they feel they deserve. A law firm has to have a very compelling and personally appealing benefits package for an employee to accept being paid significantly less than what they believe to be the “going rate”.

So how does one establish what “the market rate” is? Firstly, need to know what market you are in. If your marketing says “best law firm in town”, you will probably need to pay “best packages in town”. If you promote yourself as the mid-tier firm that is as good as any of the large firms, you will need to pay in the range of the large firms. Location, practice type, client type, charge out rates, years of relevant experience and capacity to pay will all come into play. The latter will be treated cynically if the partners are upgrading their cars

when the “we still need to be fiscally cautious” message is being used to explain lower than expected salary rises.

Once you know what market you are in, find out what this market is paying. Information gained from colleagues, your local law society/institute and from salary surveys from trusted sources are useful. Talking to a trusted recruitment adviser can also provide useful information. Some firms group together and provide independent salary survey companies with their data, and ALPMA facilitates this for its members. Whilst there is a cost attached to this, data which is directly sourced from firms is more reliable than the figures candidates give to recruitment consultants. Having said that, finding out from a recruiter what it would cost to replace an employee in the current market is a revealing and valuable intelligence and provides a check to establish whether or not you can rely upon your market data for the critical activity of setting salaries.

A great example of misinformation in the current market is the new graduate lawyer salary package under the Legal Services Award. This is setting a new floor in salary expectations, however many people are overlooking the transitional arrangements in the award, arrangements that mean the higher salary rates are phased in over 4 years. When it comes to money, accurate information is vital.

Market data is not a secret

Expectations of salary rises need to be better managed by firms. In my experience, market information gained by your employees is usually less than robust and quite often from sources known to exaggerate salaries. These sources may include friends from other firms who provide information at Friday night drinks, recruitment consultants trying to entice an employee to put themselves on the market and salary surveys with dubious data collection and quality control mechanisms. Whilst managers may scoff at such information, what other options do staff have if firms do not actively provide their version of market salaries?

One way to provide information is to set out the salary range/banding by position, including an explanation of how the firm sourced the information. This can be done in a sophisticated and meaningful manner that staff trust without breaching any confidences or revealing individuals' current salary packages. It provides staff with a reliable point of reference and increases the transparency and trust in the salary setting process. I suggest that communicating the basis for salary setting and the information being used happen prior to the actually salary meeting so that people have time to digest the information and ask questions. It should not be a barrage of information used to ambush the employee during the salary meeting. You need to decide the most appropriate way to communicate this information, a way that fits with the culture of your firm.

Articulate what your firm offers

You also need to be very clear about what is included in the salary package to ensure people are comparing apples with apples. Years ago I remember one firm including the monetary value of public holidays in their salary package figures – this kind of underhand approach will only serve to increase your staff turnover!

There is a real advantage in reminding people what it is that makes your firm a great place to work. Often people begin to take things for granted, and a timely reminder can focus people on what they value about working with your business. These benefits may be firm wide (eg employee purchasing discounts) or individually tailored (work from home, support for training). It is important to remember that lawyers are generally motivated by interesting and challenging work and the ability to progress, and these are important parts of any employee value proposition. You may be a smaller firm, however you offer the employee the opportunity to work on a wide range of legal matters and have a high level of client contact. You may work in a firm with expert teams, and the lawyer has the opportunity to work with some of the best lawyers in a particular field. You may be able to discuss where the person is on the promotion track, and what support will be provided to assist them to reach the next career goal. Communicate clearly and consistently what it is that your firm offers, and how you think it might differ from competitor firms, and check that these are the offerings that are still attractive to individual employees.

Pay market – expect market performance

This is the part of the equation often forgotten by partners and staff alike. If you are going pay an employee at the top end of market, the employer has a right to expect top end of market performance. A crude example is that if an employee solicitor wishes to be paid “big firm rates” they can be expected to be given a big firm fee budget.

When gathering information about market, it is important to ask “and typically, what does an employer expect for this level of salary?”. Without this information, you are not able to have a meaningful discussion about salary as you only have one half of the equation.

Some firms claim “you are not expected to work as hard here as in other firms” or “we are a lifestyle focussed firm” and these are statements that often mean we expect less, so therefore pay less. If this is the case, be upfront about what the firm offers and the impact on salaries. A firm that has a billable hour expectation of 5.5 hours per day is going to appeal to some very good lawyers and support staff, however it is unlikely this firm will be able to afford to pay salaries at the same level as a similar firm that has a 7.5 billable hours per day expectation.

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This means that the discussion about salary for the coming year also includes a discussion about what is expected in return. This is unlikely to be just about billable hours, so make sure learning goals, client service, practice administration etc are included in the discussions.

Providing useful information and allowing the time to discuss this information is very important for a smooth salary review process. Start thinking now about what messages you want your staff to hear about salary reviews, and encourage your partners to be open to these discussions.