

Law firms moving away from billable hours set-up

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By Kim Lyons / Pittsburgh Post-Gazette

While talk of the death of the billable hour at law firms may be premature, it's losing its luster as a mainstay of law firms' pay structure.

Reflecting the change, New York-based Jackson Lewis will no longer evaluate its associates using billable hours as a measure.

"For many years, I have been a strong proponent of alternative billing arrangements as a necessary step to deliver the highest caliber of legal work at the greatest value," said firm chairman Vincent A. Cino. "As a firm, we believe eliminating the billable hour requirement for associates is imperative in aligning the way we deliver legal services with clients' needs."

Beginning Jan. 1, Jackson Lewis, which has 18 attorneys in Pittsburgh and about 800 total, will evaluate its associates on a combination of factors, but not on the number of hours logged. Clients who have existing hourly arrangements with the firm will continue to be billed that way, said Pittsburgh managing shareholder Doug Smith, but will be notified that other billing arrangements are available.

Alternative fee arrangements became more widely used by law firms between 2008 and 2010 during the economic downturn, according to a 2012 study by ALM Legal Intelligence. Sixty-two percent of firms surveyed saw an increase in alternative fee arrangements during that time period, the study found, as clients sought to get away from the billable hour as the only option.

"Rather than rewarding associates for logging longer hours, our initiative will continue to encourage associates to achieve the best results for clients without spending needless time

worrying about how many hours they have billed,” Mr. Cino said. “We believe this is much more desirable for our clients and attorneys alike.”

Mr. Smith said using billable hours as a foundation for evaluating associates “creates a false standard.”

“Billable hours are just not a good measure for creating efficiency in overall performance,” he said. The firm did away with the practice of linking the billable hour to associates’ bonuses several years ago, he added.

“We’re not doing away with the billable hour, but we want to focus more on associates’ overall value,” Mr. Smith said, “factors like the ability to work as part of a team, the quality of work, efficiency, client development and work ethic.”

Asked if associates were concerned about moving away from a raw number toward more subjective criteria for their evaluations, Mr. Smith said he did not think so.

“If you ask any manager or supervisor at any business, they know who their best and most challenging employees are, without looking at metrics,” he said. “You know who’s doing the job and not doing the job. We need to look at the whole person.”

Clients will be notified of the changes in the coming weeks, Mr. Smith said, but the firm has already received a lot of client feedback, he said. “It has been tremendously positive feedback,” he said. “They’re excited about it. Most of them say, ‘It’s about time!’ ”