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Talent war in legal sector: Firms boost pay and partnership opportunities

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The law firms have now upped variable pay from 85-100% to 125% and some have given even a 200% payout. (Photo: Mint)

SUMMARY

Law firms are engaged in a talent war, offering retention bonuses, quicker partnership paths, and higher compensation. Consultations with experts have led to revamped pay structures to attract and retain skilled lawyers amid significant attrition in the industry.

Mumbai: With their employers engulfed in a fierce battle for talent, senior lawyers are raking it in as they are wooed with retention and discretionary bonuses, quicker options to become a partner, and better than usual hikes. India Inc.'s top law firms have even called in consultants to rework their compensation structures.

"There is a talent war going on across law firms, as multiple practice leaders are leaving and setting up boutique practices. As a result, a lot of good talent migration is taking place," said Deepan Dasgupta, partner, human capital at Deloitte.

Dasgupta added that law firms are incentivizing via two ways. The first is a faster track to partnership. And the second, a more attractive performance-linked incentive structure.

"Path to partnership (especially non-equity partnership) is a great incentive for law firms to retain good talent. Apart from designation, they are able to offer a significant jump in fixed compensation and introduce a much more attractive bonus scheme," Dasgupta told *Mint*.

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The talent war is playing out between Indus Law, Cyril Amarchand Mangaldas, JSA Advocates & Solicitors, Khaitan & Co, Trilegal, Shardul Amarchand Mangaldas & Co and even boutique firms built by erstwhile senior partners of these law firms.

Why this sudden war for talent?

There are multiple reasons, including the increase in M&As, regulatory filings, expansion of smaller firms that need legal help to set up different businesses, among other things. As a result, senior partners are setting up boutique firms and offering equities to former colleagues to leave the more established practices and join their new ventures.

Further, taxation, risk and crisis management teams in law firms have increased over the past two years since the pandemic, which has also added to the demand for lawyers.

According to Vahura Consulting, a search and law firm advisory, the top 10 law firms have 6,500-7,000 lawyers, and each firm recruits anywhere between 25 and 128 law graduates each year. Some of the top campus recruiters include Trilegal and Cyril Amarchand Mangaldas (CAM).

Attrition in this sector has been significant over the past couple of months

There are two kinds of partners in law firms—equity partners and non-equity partners. The former bring in business and get a cut from the revenue of the firm, while the latter get fixed pay and a bonus. The latter is the target group for law firms.

The battle to retain, or poach talent

“Talent retention today is most important in a competitive legal industry. Given the increasing competition, every law firm is working towards how to attract and retain good talent,” said Avimukt Dar, founding partner, IndusLaw.

“There have been various approaches like increased base pay, performance bonus, special/discretionary bonus, transparent equity model that have been adopted by IndusLaw,” said DAR.

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At a partner level, bonuses and compensation can be tied to both individual and firm-wide achievements, including new client acquisition, revenue achievement, or significant contributions to firm growth and culture.

“A combination of flexible target, performance bonus, discretionary bonus, credits on cross referrals/bringing in new clients, increasing international BD (business development) opportunities for younger partners is what we are implementing to ensure that great lawyers are not made to feel like bad lawyers on account of a bad year,” Dar added.

Rival Trilegal told *Mint* that it “periodically consults with the best advisors” on its compensation. Parul Gupta, chief human resources officer at Trilegal, noted that “some firms are changing their compensation structures to bring them closer to Trilegal’s level”.

This July, JSA hired Nisha Kaur Uberoi, who headed the competition practice at Trilegal. Uberoi, who looks at complex areas such as merger control, cartels, abuse of dominance, and the digital economy, brought two partners and 25 attorneys with her.

JSA also bagged Iqbal Khan and Ambarish, Shardul Amarchand Mangaldas's private equity (PE) and M&A partners, along with their team of about 18-20 partners.

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The churn has pushed law firms to even look at compensation offered to campus graduates. Shardul Amarchand Mangaldas revised salaries of graduates from ₹16 lakh to ₹20 lakh.

Attrition in this sector has been significant over the past couple of months and consultant firm Vahura had told *Mint* in July that that attrition amongst associate and senior associate is 25%. An associate and senior associate can have 1-9 years of experience and then gradually move into the role of a partner.

The law firms have now upped variable pay from 85-100% to 125% and some have given even a 200% payout.

"Law firms have become more rigorous in terms of performance differentiation through quantitative metrics and even allowing partners to customize to their strengths—become more business generation-oriented vs more service delivery-oriented metrics," Dasgupta noted.

Meanwhile, other firms like Nishith Desai Associates utilised artificial intelligence to ensure experience of their employees remained within the firm and their exit did not require rushing to recruit for replacement.

"If we lose out on some talent from the firm, the work they've done, the experience they have gathered will be retained with the firm. This transfer of knowledge avoids the immediate need and rush to recruit and allows us to reward our well-performing talent better in the long run," the company's founder Nishith Desai said.

He added that his boutique firm was lean and aimed to scale up instead of sizing up. "We don't think of compensation as salary, we think of it as an investment in talent. And right from the team heads to the office helping staff is considered as part of the team which is helping the firm's growth. So, we have a revenue sharing partnership with the whole firm where a certain percentage of the firm's revenues are shared appropriately," he said.

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