

BENEFITS

INCENTIVES



Click below if you would like a copy of the these templates to apply to your firm's associate training and development processes.

CONTACT US

COSTS

TIME

NAVIGATING ASSOCIATE TRAINING COSTS

BENEFITS

INCENTIVES



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COSTS

TIME

NAVIGATING ASSOCIATE TRAINING COSTS

OWNING ASSOCIATE TRAINING COSTS

- How do we plan for and absorb training costs?
- How do we ensure that training time and money is used effectively?

Consider this model:

The screenshot shows a financial model with columns for years 2018, 2019, 2020, 2021, 2022, 2023, 2024, and 2025. The rows include various financial metrics such as Revenue, Costs, and Profit. A green arrow points to the 'Training Costs' row, which shows a significant increase starting in 2020.

	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	100000	100000	100000	100000	100000	100000	100000	100000
Costs	50000	50000	50000	50000	50000	50000	50000	50000
Profit	50000	50000	50000	50000	50000	50000	50000	50000
Training Costs	0	0	10000	20000	30000	40000	50000	60000

*How
needed
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	MODEL SECTION					
	Associate 1	Associate 2	Associate 3	Income Partner 1	Equity Partner 1	Totals
Experience Level Years	A 1	A 2	A 3	IP 1	P1	
	<1	3	6	10	20+	
Schedule apportionment						
Scheduled hours-see below	2,200	2,300	2,400	2,400	2,400	11,700
FTE	1	1	1	1	1	5
Administrative hours	5%	5%	4%	4%	7%	5%
NB Case supervision	0%	0%	0%	1%	2%	0%
Assignment set up and training	0%	4%	7%	9%	3%	5%
Skill development - Internal training	17%	5%	2%	0%	0%	5%
Bar professional trade	1%	1%	1%	1%	1%	1%
Marketing (Including inbound)	1%	1%	1%	1%	2%	1%
New Practice area development	5%	2%	3%	3%	7%	4%
Pro bono	0%	0%	0%	0%	0%	0%
Recruiting	2%	1%	1%	1%	1%	1%
Sub-total non billable	31%	19%	20%	20%	22%	22%
Billable	69%	81%	80%	80%	78%	78%

Planned hours	MODEL SECTION					
	A 1	A 2	A 3	IP 1	P1	Totals
Regular Hours	2,080	2,080	2,080	2,080	2,080	10,399
PTO (Vacation, Sick, Leave, etc.)	120	120	160	160	200	760
Holiday hours	80	80	80	80	80	400
Total personal hours	200	200	240	240	280	1,160
						-
Total Regular Hours	1,880	1,880	1,840	1,840	1,800	9,239
Personal Time Investment	320	420	560	560	600	2,461
Scheduled Hours	2,200	2,300	2,400	2,400	2,400	11,700
Administrative hours	104	104	104	104	157	573
NB Case supervision	-	-	-	13	39	52
Training - set up, train and review	-	94	180	213	64	550
Skill development - Internal training	375	116	59	-	-	550
CLE - External Training	26	26	26	26	26	130
Bar professional trade	26	26	26	26	52	156
Marketing (Including inbound)	104	46	66	79	171	465
New Practice area development	-	-	-	-	-	-
Pro bono	52	26	26	26	26	156
Recruiting	13	13	13	13	16	68
Sub-total non billable hours	700	450	500	500	550	2,700
Planned billable hours	1,500	1,850	1,900	1,900	1,850	9,000

How much time is needed to achieve a desired result?

TRAINING HOURS AND RESULTS										
	Set Up	Train 1	Review	Train 2	Total	% T-HRS	BHC	TT/BHC	Target BH	TH-T
Associate 1	0.50	0.50	0.50	0.50	2.00	57%	8.00	0.25	1,500	375
Associate 2	0.25	0.25	0.25	0.25	1.00	29%	16.00	0.06	1,850	116
Associate 3	0.00	0.25	0.25	0.00	0.50	14%	16.00	0.03	1,900	59
I-Partner 1						0%	16.00	-	1,900	-
Partner						0%	16.00	-	1,850	-
Totals	0.75	1	1	0.75	3.5	100%	72.00	0.01	9,000	550
% by phase	21%	29%	29%	21%						

Set Up:
The non billable time expended to organize assignments for an untrained attorney

Train 1:
Time it takes to explain an assignment to an untrained attorney.

Review:
The time it takes to review attorney work product

Train 2:
The time it takes further instruct a training attorney

Total:
The total amount of training time invested to create the desired billable hours

%T-HRS:
The percentage of the total training effort received by the indicated attorney.

BHC:
The number of billable hours created from the training hours invested.

TT/BHC:
The ratio of training time to billable hours created. For example, for every billable hour created for associate 1, .25 training hours are required.

TARGET BH:
The predetermined billable hours target for each timekeepers in the analysis.

TH-T:
The indicated number of training hours needed to generate the target billable hours. In this model, Associate 1 will require 375 training hours to produce 1500 billable hours (Target BH * TT/BHC)

These are model assumptions. To be relevant, law firms must enter their own data based on an empirical review.

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Allocating costs to training hours *

SALARY:
Includes a 20% benefit allocation. No benefit allocation to equity partners (EP). EP's salary represents an allocation of total comp for timekeeper efforts.

HR COST:
Compensation and overhead costs/ billable hours for the period

	PER HOUR TRAINING COSTS				
	SALARY *	OVERHEAD	TOTAL	BILLABLE HRS	HR COST
	102,000	95,000	197,000	1,500	131
Associate 1	114,000	95,000	209,000	1,850	113
Associate 2	126,000	95,000	221,000	1,900	116
Associate 3	150,000	95,000	245,000	1,900	129
I-Partner 1	180,000	115,000	295,000	1,850	159
Partner	672,000	495,000	1,167,000	9,000	649

OVERHEAD:
Overhead allocation includes a secretarial allocation, non timekeeper payroll and all other overhead expenses. Equity partners absorb a higher overhead allocation.

BILLABLE HOURS:
Billable hours for the period.

*** Each firm has a unique cost structure.**

Training Responsibility Assumptions *

	TRAINING RESPONSIBILITY ASSUMPTIONS					
	A1	A2	A3	IP1	EP	Total
Associate 1		25%	33%	33%	10%	100%
Associate 2			50%	40%	10%	100%
Associate 3				75%	25%	100%
I-Partner 1						
Partner						
	TRAINING RESPONSIBILITY ASSUMPTIONS - HOURS					
	A1	A2	A3	IP1	EP	Total
Associate 1	-	94	122	122	38	375
Associate 2	-	-	58	46	12	116
Associate 3	-	-	-	45	15	59
I-Partner 1	-	-	-	-	-	-
Partner	-	-	-	-	-	-
Total	-	94	180	213	64	550

** Determined based on training needs and existing workloads*

Projected Costs in Dollars

	TRAINING RESPONSIBILITY PROJECTED COSTS					
	A1	A2	A3	IP1	EP	Total
Associate 1	-	10,592	14,173	15,713	5,980	46,458
Associate 2	-	-	6,723	5,963	1,844	14,530
Associate 3	-	-	-	5,741	2,367	8,108
I-Partner 1	-	-	-	-	-	-
Partner	-	-	-	-	-	-
Total	-	10,592	20,896	27,417	10,191	69,096



PROJECTED COSTS:

Total hours expended by each lawyer multiplied by their hourly compensation and overhead costs.

Profit Per Hour

SECTION PROFIT PER HOUR		
<u>INCLUDING PARTNER COMP COST</u>	<u>PER HOUR</u>	<u>PERCENT</u>
Billable revenue per hour	1,075	
Costs per hour	649	60%
Profit generated per hour	426	40%
<u>REMOVE PARTNER COMP COST</u>	<u>PER HOUR</u>	<u>PERCENT</u>
Partner timekeeper comp	97	9%
Profit generated per hour	523	49%

When considering profitability for pricing, staffing efficiency and costing (including training), partner timekeeping comp costs are allocated.

When considering profitability for compensation purposes, partner timekeeper comp costs are removed. Partner comp costs are effectively remuneration to the partner.

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NOTES

Training Incentives

INCENTIVES FOR TRAINING							
ALLOCATION OF TRAINING PROFITS FOR BONUS CONSIDERATION							
	A1	A2	A3	IP1	EP	TC	PC
Associate 1	-	8,511	11,064	11,064	3,404	34,042	34,042
Associate 2	-	-	68,610	54,888	13,722	137,220	137,220
Associate 3	-	-	-	120,294	40,098	160,392	160,392
I-Partner 1	-	-	-	-	-	-	-
Partner	-	-	-	-	-	-	-
Total	-	8,511	79,674	186,246	57,224	331,654	331,654
ALLOCATION OF TRAINING PROFITS FOR BONUS CONSIDERATION							
Assumptions	A1	A2	A3	IP1	EP	TC	PC-B
Bonus %		5%	5%	5%	5%	5%	
Bonus Dollars		426	3,984	9,312	2,861	16,583	315,071

Training, in part, is responsible for the profits attributable to those receiving training. TC (Training Credits) are allocated based on % of training hours (effort) applied to profit created.

A bonus based on profits created would provide real incentives for training and support the compensation of those providing training. Training bonuses would phase out as timekeepers mature.

Partners would likely be ineligible if they benefit directly from the profits created. PC = B = Profits created less bonus. Bonus assumption in this example is 5% of profits created. Actual bonus may vary by firm.

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