

## **Marketing Legal Assistants as a Cost-Efficient Alternative to Associates<sup>1</sup>**

As a legal assistant, you should always be on the lookout for ways to market yourself and your profession. Even as we speak, there are attorneys all over Michigan (indeed, there are attorneys across the United States) who don't really know what you are or what you're capable of doing. Professional associations like NALA can only do so much. Oftentimes, the best promotion is done at the grassroots level.

One of the things I do, as the Program Coordinator of Eastern Michigan University's Legal Assistant Studies Program,<sup>2</sup> is find different ways to market our Program graduates. This, of course, means marketing the legal assisting profession itself. When it comes to attorneys, as with any other businesspeople, the bottom line is the bottom line. Attorneys in today's legal marketplace are more concerned than ever about running cost-efficient law offices.

Everyone knows that legal assistants don't cost as much as attorneys. This is true for both the law firm and the client: legal assistant salaries are lower than those of attorneys, and legal assistants bill at lower hourly rates than do attorneys. This fact alone makes hiring legal assistants a smart decision in virtually every law office.

So why not hire more legal assistants? Attorneys have several stock answers, but the two I most frequently encounter are "legal assistants can't practice law" and "I make more money from my associates than I do from my legal assistants." The former argument speaks for itself. Legal assistants can't give legal advice, or go to court, or sign pleadings. But it is equally true that most *smart* attorneys won't let first- or second-year associates give much legal advice, or go to court very often, or sign pleadings without having first reviewed them. In practice, what freshly-minted attorneys and legal assistants do on a day-in, day-out basis is much the same: they meet with clients, do legal research, draft memoranda and briefs, draft pleadings, discovery, or transactional documents, and assist supervising attorneys.

What about the second argument, that law firms make more money from associates than legal assistants? Is that really true? The answer might (or might not) surprise you. The shortcoming with this argument is that it measures just one thing – raw profit per billable hour – but it tells the attorney very little about how cost-efficiently her employment dollars are being spent. Let me explain.

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<sup>1</sup> © 2002 Daniel R. Ray, J.D., Assistant Professor and Coordinator, Legal Assistant Studies Program, Eastern Michigan University, Ypsilanti, MI. This article is adapted from Daniel R. Ray, *Utilizing Legal Assistants to Maximize Law Firm Profit and Efficiency* (2002) (hereafter "Ray"), an electronic booklet authored by Professor Ray. The booklet can be downloaded at <http://cot.emich.edu/ray/pubs.htm>.

<sup>2</sup> Our Program is located in EMU's College of Technology, in the Business and Technology Education Department. Program graduates receive a Bachelor of Science degree with a major in Legal Assistant Studies. The Program is American Bar Association-approved. For more information, visit the Program's Web site at <http://cot.emich.edu/ray/index.htm>.

Let's compare a third-year associate, who earns \$65,000 per year<sup>3</sup> and who bills at \$140 per hour, with a third-year legal assistant who earns \$35,000 per year<sup>4</sup> and who bills at \$85 per hour. We will assume that our law firm has a quota of 1,500 billable hours per year, per timekeeper. Many attorneys will be tempted to divide each salary by the billable hour quota to determine cost per-billable hour. If you do that, you find that the associate costs about \$43 per-billable hour and the legal assistant costs about \$23 per-billable hour. And voila! We make \$97 per-billable hour from our associate, but only \$62 per-billable hour on our poor legal assistant. Yes, the math works, but it paints an incomplete picture. It gives an inaccurate portrait of profits, and it says nothing about cost-efficiency.

In order to give the law firm a meaningful picture of true profitability and cost-efficiency, we must consider *total* employment costs, not just the employee's salary. When you consider total employment costs, you'll find that our \$65,000 associate actually costs the law firm around \$148,000 per year, and our \$35,000 legal assistant actually costs just a bit less than \$84,000 annually.<sup>5</sup> Dividing by 1,500, we find our associate and legal assistant per-billable hour costs to be around \$99 and \$56, respectively.

"But see," says the lawyer, "I'm still making \$41 per billable hour from my associate, and only \$29 on my legal assistant." True, but hold that thought for just a moment. Raw profit tells the law firm nothing about cost-efficiency. Cost-efficiency measures the relationship between each employment dollar spent and the return on that employment dollar. Stated differently, cost-efficiency tells the law firm how much it profits from each employment dollar spent. The equation is: cost-efficiency (CE) =  $P \div BC$ , where P is profit per billable hour and BC is billable cost per hour. Now, do the math.

$$\begin{aligned} \text{Associate -- } & \$41 \div \$99 = .42 \\ \text{Legal assistant -- } & \$29 \div \$56 = .52 \end{aligned}$$

The associate produces 42¢ profit on every employment dollar spent. The legal assistant, by contrast, produces 52¢ profit on every employment dollar spent.

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<sup>3</sup> This figure is an estimate. The national average for third-year associates is actually something more like \$70,000+. See National Association for Law Placement, *2001 Associate Salary Survey National Summary Chart*, at <http://www.nalp.org/nalpresearch/sumch01.htm> (last visited July 30, 2002).

<sup>4</sup> Sixty-three percent of Michigan legal assistants with one to three years of experience earn between \$30,000 and \$40,000 per year. See Special Counsel, *Year 2002 Survey of Michigan Legal Assistants: Salaries and Benefits* 39 (2002) (copy on file with author). You can get a copy of the report by contacting Sheley DeGraw with Special Counsel at (248) 614-0013, or by email at [sheley.degraw@specialcounsel.com](mailto:sheley.degraw@specialcounsel.com).

<sup>5</sup> These figures are based upon a model that is fully developed and explained in Ray, *supra* n. 1.

The moral of the story: legal assistants can generate an even higher return on employment investment than associates. What's more, because legal assistants come with a lower price tag, whether in terms of salary or total cost, a law firm can do more with its employment dollars by spending them on legal assistants. Yes, law firms have to hire lawyers to do "lawyer stuff." But when it comes to most day-to-day tasks, legal assistants give the law firm more "bang for the buck" than associates. Keep that in mind the next time you have an opportunity to market yourself or your profession.<sup>6</sup>

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<sup>6</sup> If your law firm or legal department would like an assessment of its employment costs and return on employment investment, or would just like more information on utilization of legal assistants, feel free to contact Professor Ray at [drray@online.emich.edu](mailto:drray@online.emich.edu).