



# Four Principles of Fair Pay

At The Counsel Network, we constantly receive calls from lawyers, both in private practice and in-house, trying to figure out if they're being paid enough. We also get calls from managing partners and general counsel, to help set the record straight on what really is market rate and what they should be paying to help with recruitment and retention.

As we have seen compensation significantly increase over the last 18 months, lawyers want to make sure they are being treated fairly and consistently, and managers want to ensure that they have correct and current information.

Every situation is different, of course, and there is no one-size-fits-all formula for determining fair compensation. Compensation is only one factor in the recruitment and retention process, and it is usually not the deciding factor. But there are a few principles which should be applied when dealing with compensation.

## Principle 1 – Fairness

Job satisfaction in terms of compensation is generally not based upon "how much" but "how fair", and fairness needs to be looked at both internally and externally. Is your compensation consistent with your peers in similar positions within your organization, and is your compensation consistent with your peers in similar positions and in similar organizations, outside of your firm or company?

## Principle 2 – Recruitment vs Retention

Compensation is primarily a retention tool, not a recruitment tool. Candidates rarely move to a new position for compensation alone, however, if compensation is not fair, this will motivate candidates to leave.

## Principle 3 – Measuring Market Value

True compensation and market value is based on replacement cost, not comparative cost. This refers to what

employers will need to pay to replace or recruit a candidate or what a candidate might expect to receive on the open market.

## Principle 4 – Macro vs Micro Disconnect

Employers approach compensation primarily as a macro issue. Those who create and set compensation tend to look at the big picture and how individual compensation will affect the entire organization. Employees, on the other hand, approach compensation as a micro issue and want to ensure that their own compensation is maximized.

### *Keep in mind...*

Always know your value and the value of your employees at all times. Consult outside resources on a regular basis to make sure your information is accurate and up-to-date.

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