

Diversity by the Numbers

by William D. Henderson

For several decades now, NALP has published its annual *NALP Directory of Legal Employers*. The directory, which is designed primarily for law students and entry-level lawyers, lists legal employers in a city-by-city standardized format. The *NALP Directory* is also a remarkable resource for obtaining comparative data on salaries, benefits, practice areas, partnership tracks, and commitments to pro bono work.

Although the directory has now migrated to an on-line version (available at www.nalpdirectory.com), I remember spending countless hours leafing through this massive phone-style directory in search of employers who appeared to fit my personal and professional needs and ambitions. I worked for three law firms before joining the legal academy. And I remember closely studying the NALP forms of all three.

For many years, the *NALP Directory* has also included a standardized table that breaks down demographic groups (male/female, ethnicity, LGBT, and disabled) by job title (staff attorney, associate, of counsel, partner). During the course of my research, I have come to refer to this standardized table as the “diversity grid.” The virtue of the diversity grid is that it answers an important question for non-majority job candidates: “What concrete evidence is there that someone like me can get hired and promoted at this particular law firm in this particular city?”

For a researcher, the diversity grids are also a valuable historical record of diversity within the legal profession. By aggregating the grid data by metropolitan areas and by firm, it is possible to generate a comprehensive picture of diversity among the employers listed. I recently conducted this analysis on the 2005-2006 edition of the *NALP Directory* (used by law students during the 2006 recruitment season). (These data were made available in

digital format thanks to a special license with NALP related to research on diversity. Many thanks to NALP for making this unique and valuable data available for statistical analysis.)

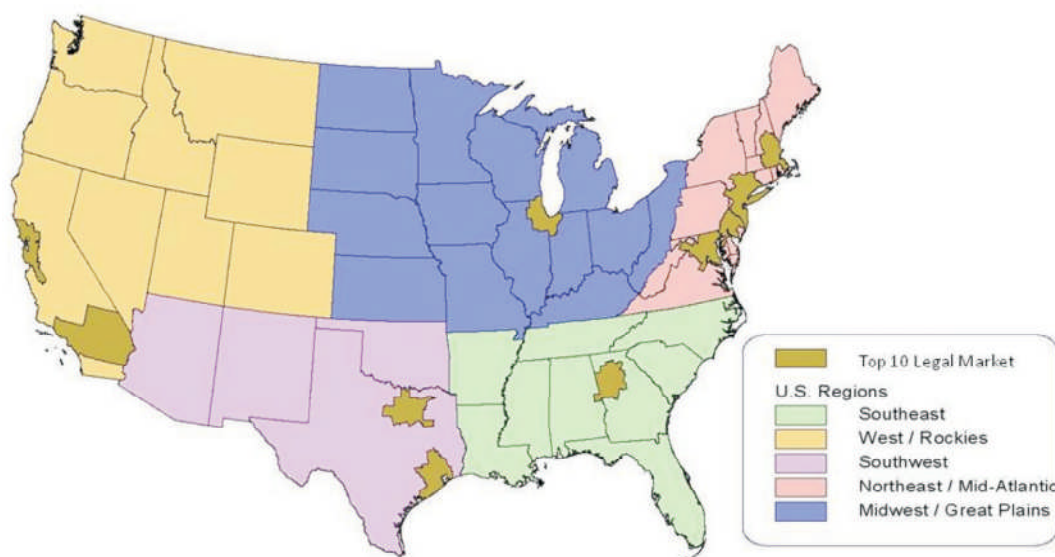
The results provide healthy doses of both optimism and realism for the thousands of legal professionals committed to improving diversity among law firms. The results also provided me with an opportunity to look at diversity issues with fresh eyes. At the end of this article, I offer some concluding thoughts on how to make greater progress on diversity in the years to come.

For an overview of *NALP Directory of Legal Employers* data used in this article, see Figure 1, Data Overview.

Figure 1. Data Overview: 2005-2006 NALP Directory of Legal Employers

- Office level data of 613 law firm employers in 108 metropolitan areas.
- Summaries of 1,443 branch offices employing 119,208 lawyers.
- 60.6% of the offices were part of firms listed in the 2005 Am Law 200.
- In 2004, these offices hired 6,020 entry level associates (15.5% of all 2004 JD graduates) and 1,049 judicial clerks.
- Average 2005 starting salary (weighted by geography and number of lawyers) was \$115,620.
- 64.2% of the attorneys are located in the ten largest legal markets: New York City (18.8%), Washington DC (12.4%), Chicago (6.6%), Los Angeles (5.5%), San Francisco (5.5%), Boston (3.5%), Atlanta (3.2%), Dallas (3.1%), Philadelphia (3.0%), and Houston (2.6%).
- In 2005, 74.8% of the hiring by law firms listed in the NALP Directory occurred in Top 10 markets.

Figure 2. Geographic Breakdown of U.S. Legal Markets



Bright Spots

Readers are undoubtedly familiar with the pattern of female and diverse associates leaving large corporate law firms at a higher rate than their white, male counterparts. When the numbers are analyzed at the regional or metropolitan level, however, we observe a much more complicated story.

Specifically, different parts of the country appear to have their own diversity micro-climates where hiring and advancement is either more (or less) common than for the U.S. legal market as a whole. On balance, this is good news because it reveals significant legal markets where the color barrier for corporate law partnership is breaking down for specific ethnic groups. These bright spots provide concrete evidence that diverse lawyers can get hired and thrive in some of the nation's largest and most sophisticated legal service organizations.

The differences between aggregate data and bright spots can often be substantial. For example, it is well known that African American attorneys comprise a small percentage of partners at corporate law firms. For 2005, the diversity grids totaled

only 761 African-American partners — a mere 1.5% of 51,864 partners at *NALP Directory* law firms.

Yet, African American partners are not evenly spread around the nation. As of 2005, they are disproportionately concentrated in Washington, DC (157 partners) and Atlanta (65), and there they account for 2.5% and 3.9% respectively of all corporate law partners at *NALP Directory* law firms. Moreover, nearly four out of five of these lawyers are partners at Am Law 200 law firms, which tend to rank highly on indices of profitability and prestige.

At least comparatively, these are remarkable numbers. In 2005, New York City had nearly a thousand more *NALP Directory* partners than Washington, DC (7,260 versus 6,310), but less than half the number of African American partners (78 versus 157). Similarly, Atlanta had approximately half as many corporate law partners (1,770) as Chicago (3,362), Los Angeles (3,742), and San Francisco (3,419), and yet, in absolute numbers, Atlanta has more African American corporate law partners (65) than all three larger markets (59 in Chicago, 48 in Los Angeles, and 33 in San Francisco).

Likewise, the promotion of Hispanics to corporate law partners appears to vary widely by geography. In the aggregate, there were only 695 Hispanic partners at *NALP Directory* law firms in 2005 — only 1.3% of all corporate law partners. Yet, in the Southeastern U.S., which excludes Atlanta (a Top 10 legal market) but includes the Miami metropolitan area (the nation's 11th largest legal market), Hispanics comprise 3.9% of all corporate law partners (172 of 4,414). Compared to the national legal market, Hispanic partners are also disproportionately concentrated in Dallas (+40%), Houston (+62%), Los Angeles (+78%), and the remaining Southwestern legal markets (+171%), which includes several mid-sized markets in Texas, New Mexico, and Arizona. Further, over two thirds of these partnerships are at Am Law 200 law firms.

The same story can be told for Asian partners, but the geography differs from their African American and Asian counterparts. In 2005, there were only 839 Asian partners at *NALP Directory* law firms, yet 45% were concentrated in Los Angeles (115), San Francisco (129), and the remainder in the West Coast /Rocky Mountain region (149).

In summary, as readers know well, the aggregate numbers for minority partners are not encouraging. But in specific geographic areas, minority partners are starting to obtain critical mass. Further, these patterns appear to exist within law firms themselves — the national level data tend to show relatively homogenous firms, yet pockets of meaningful diversity have started to grow at the branch office level.

These geographic patterns suggest that the path to a corporate law partnership is affected by one's environment. Arguably, when others who look like you have managed to break the partnership barrier, it becomes easier to obtain the requisite developmental opportunities needed to grow into a sophisticated corporate lawyer. Further, diverse associates may find it easier to persevere on the long, arduous, and uncertain road to partnership when they have visible role models they can relate to. The best role models are likely to be lawyers from the same racial background who have progressed to the top of the firm or, better yet, to

positions of leadership within the local bar associations.

A Dose of Realism

A key ingredient for a diverse corporate law partnership is a large pipeline of diverse entry-level talent. Yet, highly talented young lawyers tend to have options, and minority associates are no exception to this rule. How can a law firm build a large and vital pipeline of diverse talent?

To better understand the factors affecting the talent pipeline, I analyzed the diversity grid data using multivariate statistical analysis. Each of the four factors summarized below has a separate, independent impact on the percentage of African American, Hispanic, and Asian associates employed by a *NALP Directory* employer branch office. The fourth one, however, is probably the most critical.

- (1) **Branch Office Geography.** Not surprisingly, minority associates are disproportionately drawn to the same geographic markets where their partner counterparts have enjoyed the most success: African Americans to Atlanta and Washington, DC; Hispanics to southern Florida, Houston, Dallas, Los Angeles, and other parts the Southwest; and Asians to California, the Rocky Mountains, and the Pacific Northwest.
- (2) **Firm and Office Size.** Diverse associate are more likely to join large, multi-office law firms. Further, they are more likely to be drawn to the largest branch offices, which is likely influenced, at least in part, by the more comprehensive recruitment programs of larger offices within larger firms.
- (3) **The New York City Effect.** A disproportionately large number of African American, Asian, Hispanic, and LGBT lawyers begin their legal careers in New York City. Yet, this market is also known for long hours, high associate to partner leverage,

and limited partnership opportunities. New York City has 18.8% of all lawyers at *NALP Directory* firms, but only 14% of partners. Because their lawyers have been exposed to very sophisticated legal practice, this “New York City effect” may partially explain the progress made by diverse attorneys in large corporate legal departments.

- (4) **Diversity of Existing Partnership.** This is the critical factor. After statistically controlling for firm/office size and branch office geography, the best predictor of minority associate recruitment is the percentage of minority partners. Further, there is no diversity crossover effect: A large percentage of female or Asian partners does not help recruit African American associates; similarly, a large percentage of Hispanic, African American, or LGBT partners does not help recruit Hispanic associates, and so on for each partner/associate combination.

The takeaway from the above analysis is both simple and frustrating. We would have more African American (or Hispanic or Asian or female or LGBT) associates if only we had more African American (or Hispanic or Asian or female or LGBT) partners. But getting more diverse partners will be slow going until we become better at retaining, rather than just recruiting, diverse associates. The first generation of diverse lawyers will, by definition, not have the benefit of diverse mentors. And in many firms, or at least branch offices, the first generation has not yet arrived.

Going Forward

For better or worse, statistics can only take us so far. In my observation, the legal profession has made such slow progress on diversity because we tend to view this topic as something separate and apart from something much more fundamental — lawyer development.

Although systematic data are difficult to assemble, it is commonsense that law firms that invest in

behaviorally based competency models are, in essence, providing a roadmap to partnership. I know of at least one Am Law 200 firm that created a detailed “level” system for associate skill development and promotion. Although diversity was not the firm’s goal (profit and retention were the drivers), over the next four years, the firm doubled the number of African American, Hispanic, and Asian associates and partners from 3.5% to 6.6% — and without the benefit of having a branch office in a Top 10 legal market. Moreover, it slashed annual associate attrition (from 26% to 11%) and substantially increased profits relative to its peer firms. All indicators were moving in the right direction.

As a legal educator, it is my overwhelming experience that young lawyers are highly motivated to grow as lawyers. Yet, we under-invest — unfortunately, starting in law school — in regular, ongoing formative feedback. To economize on partner time, associates are expected to acquire a diverse and well-rounded array of professional skills while doing whatever fee-paying work they are asked to do or find on their own. A well designed level system, however, can accelerate the development of lawyers and, over the long term, save partner time and money by reducing rework and write-offs of associate time. A well-designed level system turns feedback into an investment with a measurable ROI.

Likewise, both firms and associates may be underserved by a free market work allocation system that provides uneven or disjointed work flow to junior lawyers. A large and diverse inventory of work assignments is a firm asset that can be optimized to better develop associates. In the long run, this optimization will redound to the benefit of clients and, ultimately, the firm. Going back to the original “Cravath System,” the partner-associate model was designed to accelerate lawyer development. The goal of the system was to produce counselors and advocates who understood all the core intricacies of their craft. The entire system was designed for the benefit of the client and, derivatively, for the firm itself.

In contrast, how many law firms today think about talent development as something that needs to be

optimized because it is core to their business? Not many, probably because business was so good for so long. In the years to come, however, that is likely to change.

One of the reasons that Asian (or Hispanic or African American) associates seek out locations and work environments with a high percentage of partners from the same racial group is that these protégés are looking for reliable guidance on how to get to the mountain top. Yet, with some careful forethought, any law firm can provide these answers in simple, structured, and transparent ways.

On their way to making more money and building a more cohesive firm, many partners may be surprised to find out that they have also solved their diversity problem.

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Table 1. Breakdown of 2005-06 NALP Directory by Attorney Role

Market, by Metro and Region	# of Offices	All Attorneys		Partners		Associates		Other Attorneys	
		Total	%	Total	%	Total	%	Total	%
New York CSA	N=172	22,401	18.79	7,260	14.00	12,753	22.92	2,388	20.42
Washington, DC CSA	N=165	14,757	12.38	6,310	12.17	6,606	11.87	1,841	15.74
Boston CSA	N=38	4,144	3.48	1,805	3.48	2,023	3.64	316	2.70
Philadelphia CSA	N=40	3,586	3.01	1,565	3.02	1,715	3.08	306	2.62
Northeast Mid-Atlantic	N=39	2,907	2.44	1,508	2.91	1,070	1.92	329	2.81
Atlanta CSA	N=43	3,833	3.22	1,680	3.24	1,770	3.18	383	3.28
Southeast	N=161	8,256	6.93	4,414	8.51	3,015	5.42	827	7.07
Chicago CSA	N=53	7,834	6.57	3,921	7.56	3,362	6.04	551	4.71
Midwest & Great Plains	N=190	15,729	13.19	8,442	16.28	5,598	10.06	1,689	14.44
Dallas CSA	N=42	3,643	3.06	1,656	3.19	1,641	2.95	346	2.96
Houston CSA	N=40	3,090	2.59	1,375	2.65	1,404	2.52	311	2.66
Southwest	N=54	2,922	2.45	1,570	3.03	1,099	1.97	253	2.16
Los Angeles CSA	N=120	7,368	6.18	2,984	5.75	3,742	6.72	642	5.49
San Francisco CSA	N=103	6,596	5.53	2,609	5.03	3,419	6.14	568	4.86
West & Rocky Mountains	N=146	6,845	5.74	3,497	6.74	2,720	4.89	628	5.37
Foreign	N=39	5,297	4.44	1,268	2.44	3,713	6.67	316	2.70
Table Total	N=1445	119,208	100.00	51,864	100.00	55,650	100.00	11,694	100.00

(See additional tables on following pages.)

Table 2. Partner Breakdown of Firms in 2005-2006 NALP Directory

Market, by Metro and Region	African American		Asian		Hispanic		LGBT	
	Total	%	Total	%	Total	%	Total	%
New York CSA.....	78	10.25	115	13.71	86	12.37	114	23.55
Washington, DC CSA.....	157	20.63	102	12.16	68	9.78	71	14.67
Boston CSA.....	20	2.63	20	2.38	10	1.44	24	4.96
Philadelphia CSA.....	19	2.50	10	1.19	1	0.14	11	2.27
Northeast Mid-Atlantic.....	20	2.63	5	0.60	2	0.29	7	1.45
Atlanta CSA.....	65	8.54	14	1.67	12	1.73	14	2.89
Southeast.....	74	9.72	23	2.74	172	24.75	13	2.69
Chicago CSA.....	59	7.75	55	6.56	42	6.04	27	5.58
Midwest & Great Plains.....	117	15.37	48	5.72	28	4.03	28	5.79
Dallas CSA.....	14	1.84	14	1.67	31	4.46	8	1.65
Houston CSA.....	18	2.37	6	0.72	30	4.32	7	1.45
Southwest.....	14	1.84	7	0.83	57	8.20	6	1.24
Los Angeles CSA.....	48	6.31	115	13.71	71	10.22	48	9.92
San Francisco CSA.....	33	4.34	129	15.38	38	5.47	66	13.64
West & Rocky Mountains.....	24	3.15	149	17.76	42	6.04	36	7.44
Foreign.....	1	0.13	27	3.22	5	0.72	4	0.83
Table Total.....	761	100.00	839	100.00	695	100.00	484	100.00

Table 3. Partner Location Quotient

Market, by Metro and Region	Male	Female	African American	Asian	Hispanic	LGBT
New York CSA.....	1.03	0.87	0.73	0.98	0.88	1.68
Washington, DC CSA.....	0.99	1.05	1.70	1.00	0.80	1.21
Boston CSA.....	0.98	1.08	0.76	0.68	0.41	1.42
Philadelphia CSA.....	1.01	0.96	0.83	0.39	0.05	0.75
Northeast Mid-Atlantic.....	1.03	0.86	0.90	0.20	0.10	0.50
Atlanta CSA.....	1.01	0.98	2.64	0.52	0.53	0.89
Southeast.....	1.00	1.00	1.14	0.32	2.91	0.32
Chicago CSA.....	0.98	1.09	1.03	0.87	0.80	0.74
Midwest & Great Plains.....	1.01	0.96	0.94	0.35	0.25	0.36
Dallas CSA.....	1.01	0.97	0.58	0.52	1.40	0.52
Houston CSA.....	1.01	0.96	0.89	0.27	1.63	0.55
Southwest.....	0.98	1.08	0.61	0.28	2.71	0.41
Los Angeles CSA.....	0.99	1.03	1.10	2.38	1.78	1.72
San Francisco CSA.....	0.96	1.19	0.86	3.06	1.09	2.71
West & Rocky Mountains.....	0.98	1.10	0.47	2.63	0.90	1.10
Foreign.....	1.02	0.91	0.05	1.32	0.29	0.34
Table Total.....	1.00	1.00	1.00	1.00	1.00	1.00

Interpretative Note: A Location Quotient (LQ) is a methodology that looks for relative surpluses or shortages of an economic activity within specific locations. If, for example, the percentage of female partners in New York City is the same as the entire U.S. market, the location quotient for female partners would be 1.00. In fact, the LQ for female partners in New York City is .87. This means there are 13% fewer female partners in New York City relative to the total base of New York City partners. Likewise, the LQ for African American partners in Atlanta is 2.67. This means that there are 167% more African American partners in Atlanta relative to the total Atlanta partnership base. Cells in yellow are unrepresented by more than 10%; cells in blue are overrepresented by more than 10%.