

The Truth About the Billable Hour

One important aspect of law firm life that is nearly impossible to avoid is the “billable hour.” Most law firms make their money by billing their clients by the hour. In order for you to be profitable to your firm, you must make enough money from your billable hours not only to cover your salary and your overhead, but also to generate revenue for the firm. It’s not a complicated equation – the more hours you bill, the more revenue for the firm. As a result, the incentive is to keep you working and billing your time.

Firms “average,” “target” or “minimum” stated billables typically range between 1700 and 2300, although informal networks often quote much higher numbers. The NALP Directory of Legal Employers (www.nalpdirectory.com) asks employers for their average associate billable hours, although many firms choose not to share their data. Using NALP’s comparison chart feature, you can assess the different billable requirements of those firms who provide the information. Seek additional information about billable hour requirements during the interview process.

The purpose of this handout is to help you understand the impact that a firm’s billable hour expectations will have on your lifestyle. Keep in mind that not all law firms have the same emphasis on billable hours: public interest law firms, smaller law firms, and law firms outside of large metropolitan areas often require less billable hours and may place more emphasis on training, client development, community-related activities and the like. In addition, government and public interest employers typically do not have any billable hour requirements because they do not bill their hours to a paying client. Finally, in the current economic climate, some firms are struggling to keep their associates busy, and billable hour concerns are taking a different turn.

See how your own work schedule will look by using the online work/life balance calculator located at www.envoyglobal.net/jdbliss/test/calculator2.htm.

A. The Full Time Job: Target 1800 Billable Hours

Assume you “work” from	8:00 am - 6:00 pm each day	10.0
Assume you take an hour for lunch		-1.0
Assume you take two 15 minute coffee breaks		- .5
Assume you spend a half-hour reading legal updates and reviewing general correspondence		- .5
Assume you will need to attend department meetings, occasional conferences, and do CLE		<u>- .5</u>
This means that you work 10 hours a day but may bill		7.5
If you work a 5 day week		<u>x 5</u>

You have been at work 50 hours and billed 37.5
 If you do this all year long, and we assume:
 3 weeks vacation
 2 weeks holiday
 No sick days or personal days

You will work 47 weeks x 47

And have billed an annual average of 1762

To gain an extra 70 hours to be respectable you could:

(a) Add approximately 1 ½ hours a week (approximately 20 minutes a day)

1 ½ x 47 weeks = 70

So come in at 8:00 am and work until 6:20 pm Mon - Fri

You have achieved 1832

BUT You have been “at work” 2420

The Commute

With a half hour commute (to your desk and working) you are “working” from 7:30 am to 6:50 pm

With a one hour commute you are “working” from 7:00 am to 7:20 pm, Monday - Friday

OR

(b) Work one Saturday a month

(10:00 am to 5:00 pm with 1 nonbillable hour) 6 x 12 months = 72

You have now billed 1834

BUT... You have been “at work” 2434

B. The Overtime Job: Target 2200 Billable Hours

Assume you “work” from 8:00 am - 8:00 pm each day 12.0

Assume you take an hour for lunch and an hour for dinner -2.0

Assume you take four 15 minute bathroom/coffee breaks -1.0

Assume you will need the same time for department meetings,
 conferences and CLE -.5

This means you “work” 12 hours a day but bill only 8.5

You do this 5 days a week x 5

You have “worked” 60 hours but have billed only 42.5

If you do this all year long, and we assume:

3 weeks vacation

2 weeks holiday

No sick days or personal days

You will work 47 weeks x 47

And have billed an annual average of 1997

To gain the needed 200+ hours you could add two Saturdays a month

If you work 10-5 two Saturdays per month with 1 nonbillable hour
you will have 6 billables per day x 2 = 12 x 12 months = 144

For a new total of... 2141

Still Short!

So add another Saturday a month for 10 months
(take a break in Nov. & Dec. for the Holidays) 6 x 10 months = 60

You made it! You have billed 2201

However, you have been “at work” 3058

The Commute

With a half hour commute you are “working” from 7:30 am to 8:30 pm Monday - Friday

And 9:30 am - 5:30 pm three Saturdays a month

With a one hour commute you are “working” 7:00 am to 9:00 pm Monday - Friday

And 9:00 am to 6:00 pm three Saturdays a month

These schedules do not account for any personal calls at work, training/observing, talking with coworkers, a longer lunch (to exercise or Christmas shop perhaps), a family funeral, any pro bono work (if not treated as billable hours), serving on a Bar committee, writing an article for the bar journal, or interviewing an applicant.

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