Partner pay, workforce shape, and what AI does to both

What I've built for firms deciding whether their rem model and their team shape still fit the firm they are now

General briefing · Alt-V Law

Derek Duffy, APAC Director, Alt-V

In short. Three conversations are usually running in a firm at the same time, and the firm is treating them as separate. Partners want to be paid more. The next generation is slower to make equity. The firm has bought AI tools without a workforce plan for what they change. They are one conversation about the shape of the firm, the model that pays for it, and the leverage model AI now rewrites. I've built a Talent Economics frame on the shape question (five levels), a Partner Rem Health Check on the pay question (about ten minutes, ten metrics across five dimensions), and a Decision Framework for firms running a formal rem review (eight-to-twelve weeks, six phases, eight weighted criteria across the eleven standard remuneration models). A sample pack is included.

The three conversations the firm is actually having

A firm reviewing partner pay is often having three conversations in parallel, and treating them as separate problems. The first is overt: *we are losing people to firms paying more, we need to look at the model again*. The second is less overt: *our salaried partners are getting older and the equity ceiling is becoming visible, which affects retention and recruitment*. The third is rarely framed as a pay conversation at all: *we have bought the AI tools but we have not re-designed what partners actually do with their time or how we pay for leverage that is no longer human-only*. The three resolve to the same underlying question - what is the shape of the firm, what model pays for that shape, and how is the two-sided conversation about human leverage and AI leverage being held.

Split into three workstreams, the answers rarely add up. The firm has a better chance of landing a rem model, a workforce shape and an AI posture that mean the same thing if it works on them together.

Partner pay as a strategic constraint

A firm cannot choose a strategy its rem model punishes. Alt-V's Partner Pay work rests on this idea. The model determines which strategic choices are possible - a firm running eat-what-you-kill cannot credibly pursue a cross-selling strategy, because the horizontal has no profit-and-loss owner; a firm running pure lockstep past thirty equity partners is running on cultural cohesion that becomes harder to sustain each year; a firm with a formula-based model and no matter-level economics is paying out on data that does not exist.

The field evidence for this is now explicit. One top-tier Australian firm shifted to a modified lockstep in June 2024. A second followed in 2025. Four more are at various stages of formal review. The common trigger was that each firm's strategic direction had become incompatible with the model it was running; the strategy moved first and the rem model followed.

The K-shape pay divergence

Pay in the Australian legal market is now K-shaped and will remain so. Top performers at the top-tier firms are pulling away: up to four partners at one leading firm were reported in December 2023 to be in

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line for more than A$7m each; two international firms have brought matching numbers into the market; a third has been active in APAC rainmaker recruitment. Mid-tier pay has stayed flat to down. The gap between the two tiers has widened, and the pay models that work at the top do not translate down the market.

For mid-tier firms, the working rule is this: *a model appropriate for a top-tier firm will likely create instability and cultural damage at a mid-tier firm*. A mid-tier firm that imports the pay structure of a top-tier firm - stretched spreads, discretionary bonuses, performance-weighted base - gets the behavioural signals without the economics to pay them. The result is the quiet partnership instability that many mid-tier MPs recognise.

The shape conversation: Talent Economics five levels

Alongside the pay conversation runs the shape one. Alt-V's **Talent Economics** briefing (July 2026) frames workforce maturity as a five-level progression - Inherited Pyramid, Measured Seats, Shaped, Blended, Portfolio. The levels run in parallel to the Legal Operating Maturity Model, and the field rule is directional: a firm's TEM level rarely exceeds its LOMM level, because a firm cannot shape its workforce better than its data lets it see.

Level 1: Inherited Pyramid. The shape of last year, repeated. Payroll is managed in aggregate; profit lands at year end. Lockstep by post-qualification experience; grunt-work apprenticeship has largely disappeared; AI is procured separately from the workforce plan. This is where many UK and AU mid-market firms sit. Signals: salary at 38–45% of fees, revenue per fee-earner A$280–380k / £145–195k, leverage 3.0–4.0 inherited rather than designed, year-three graduate attrition 35–50%.

Level 2: Measured Seats. The same shape, but costed. Fully-loaded cost against realised fees, per band per group, refreshed quarterly. The COO can say which roles in which groups are profitable from a standing pack, without a forensic exercise. Moving from Level 1 to Level 2 takes six to nine months and A$150–400k / £75–200k.

Level 3: Shaped. Shape designed per practice group against the work the group actually sells. Role-level profit and loss drives intake decisions. Competency-based progression replaces time-at-level. The first non-lawyer leverage roles appear within practice groups. Moving from Level 2 to Level 3 takes nine to fifteen months and A$400k–1.2m / £200–600k.

Level 4: Blended. Human and AI leverage designed together, per matter type. AI-first, junior-with-AI, and senior-only tasks are named; dual career tracks exist (legal engineer, knowledge lawyer); supervision hours are priced into matter budgets; the training mechanism is matter apprenticeship plus simulation plus supervised AI review. Moving from Level 3 to Level 4 is the largest single move: twelve to twenty-four months, A$800k–2.5m / £400k–1.25m. Firms that attempt it often find halfway through that the constraint is the willingness to redesign what a partner's day is for, more than the technology.

Level 5: Portfolio. Shape shifts year to year as the book shifts; make/buy/borrow is modelled per matter type; the partner track is redesigned around origination, judgement, and supervision of leverage rather than hours. Sustaining Level 5 is A$500k–1.5m / £250–750k per year. Level 5 is a posture the firm renews annually.

A separate **four-lens frame** carries boutique firms (sub-fifty fee-earners): the partner-time ledger, the next-role test, the hold-capability-without-promotion lens, and the borrow-versus-build decision. The five-level model is not appropriate for a boutique and would mis-measure one.

The eleven partner-rem models

The partner-rem taxonomy carries eleven named models: Pure Lockstep, Modified Lockstep, Eat-What-You-Kill, Formula-Based, Subjective or Discretionary, Hybrid, Points-Based, Base-Plus-Bonus, Profit-Sharing or Unit-Based, Tiered (Equity / Non-Equity), and ORA (Originator / Responsible / Working Attorney Credit). Each model fits some shapes of firm and breaks under others.

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Alt-V's high-level view of fit: **Pure Lockstep** holds under thirty equity partners and specific cultural conditions (institutionalised client relationships, high cohesion) - one UK Magic Circle firm is now the primary exemplar. **Modified Lockstep** is the mid-market default; it preserves collegiality while adding performance gates. The two Australian moves, in 2024 and 2025, are both into this archetype. **Hybrid (base plus variable)** is Alt-V's recommended target for most mid-tier firms - meaningful performance upside on a locked base. **Pure EWYK** is rare in Australian commercial practice; it works in US regional practices and rainmaking shops but struggles at scale. **Discretionary** is used by thirty-nine per cent of AmLaw 50 firms but is drift-prone past eighty partners. **Formula-Based** requires LOMM Level 3 data as a floor - data the firm does not have will corrupt the formula.

The Partner Rem Health Check: about ten minutes, ten metrics

The Health Check takes about ten minutes and is run by the Managing Partner, Chair of Rem Committee, COO or CFO (not by an outside firm; this is a self-run diagnostic before the engagement conversation). Ten metrics across five dimensions:

- **Architecture**: top-to-bottom equity spread · age of current model
- **Progression**: percentage non-equity in the partnership · typical tenure at level before equity
- **Retention**: annual partner attrition · origination concentration in top partners
- **Engine**: revenue per partner · profit per equity partner (currently unscored in this build; tier benchmarks pending)
- **Confidence**: partner satisfaction with the model · cross-border complexity

The overall result is **the weakest dimension, not the average** - the same anti-flattery stance as the Ops Diagnostic. The headline dimension is the one that gates the firm; the priority actions are specific to it. The scoring is RAG (Red / Amber / Green) rather than stage-numbered because partner rem reads more legibly in rem-committee language.

A cross-check runs between the firm's current rem model and its Talent Economics level. If the current model asks the data a question the data cannot yet answer - a performance-weighted model at TEM Level 1, for example - the Health Check flags the mismatch as a worldview gap, and the first move is almost always measurement rather than model redesign.

The Decision Framework: eight criteria, six candidate models

Where the Health Check lands at Amber or Red, the next layer is the formal Rem Review. Eight to twelve weeks. Six phases. The methodology spine is the **Decision Framework**: a weighted scoring matrix across eight criteria and six candidate models.

The eight criteria, with Alt-V's standard weights, are: **Cultural fit** 20%, **Performance incentivisation** 20%, **Collaboration** 15%, **Size and scale** 10%, **Administrative feasibility** 10%, **Governance** 10%, **Strategic alignment** 10%, and **Transition feasibility** 5%. The six candidate models carried into the matrix by default are Modified Lockstep, Hybrid, Formula-Based, Discretionary, EWYK, and Points. Each criterion-model cell is scored one to five against the firm's specific context, and the weighted total surfaces the two or three leading candidates.

Alongside the matrix runs a Decision Tree of six gates (G1 to G6) that stress-test each candidate: whether the data supports it, whether the governance can run it, whether the cultural conditions hold, whether the transition is feasible. A model that scores well in the matrix but fails a gate is removed. Partner-by-partner win/loss modelling is built for the surviving two candidates, with hold-harmless provisions capped at two to three years and tapered rather than cliff-ended.

The six-phase shape is deliberate. **Phase 1 Diagnosis** (weeks 1–2) runs the Health Check and the partner survey. **Phase 2 Model Design** (weeks 2–5) builds the Decision Framework. **Phase 3 Consultation** (weeks 4–7) runs the options paper and partner feedback. **Phase 4 Approval and**

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Communication (weeks 6–9) runs the partnership vote. **Phase 5 Implementation** (weeks 8–12) lands the systems config and the first distribution. **Phase 6 Year-1 Review** runs the six-month pulse and the twelve-month formal review. Phases three and four deliberately overlap.

Pairings with the other pillars

Three pairings matter. First, **Pricing**. A firm whose pay issue is K-shape downward drift - PPEP contracting, AI discount pressure on realised rates, pool shrinking - cannot fix the symptom in a rem review alone. Re-slicing a shrinking pool makes no one happier. The rem review has to run paired with a pricing engagement; otherwise it is theatre. Second, **Operations and LOMM**. The TEM level rarely exceeds the LOMM level; a firm whose data posture is Functional (LOMM Level 2) cannot operate a Shaped (TEM Level 3) workforce model. The rem review has to meet the firm at the operating maturity it actually has. Third, **M&A**. A post-merger partnership that has deferred the two-rem-model question for twelve months has usually already failed Phase 1 of the integration; the Decision Framework is the honest fix.

Where this tends to be useful

Three triggers come up most often.

1. **A rem review that has been deferred one time too many.** The partners have had the conversation, the Rem Committee has run some numbers, nothing has moved, and the deferral is now showing up in retention. The Health Check is often sufficient to re-start the conversation with a specific gating dimension named.
2. **A post-merger partnership that has not resolved its two legacy rem models.** The Day-90 deferral has become a Day-540 deferral. The Decision Framework is the usual next move; the sample pack carries a worked example of this scenario.
3. **A firm that has invested in AI without a workforce plan.** The pay structure still rewards billed hours; the AI deployment has made supervision the scarce resource; partners are quietly adjusting their behaviour in ways the model does not reward. Placing the firm on the Talent Economics model usually comes before the rem review here.

What is the next partner-pay decision your partnership has quietly deferred - and if you had six honest weeks and the right diagnostic in front of you, what would change?

Derek Duffy

APAC Director, Alt-V

The sample Health Check report, Talent Economics assessment and Decision Framework worked example that accompany this note use invented firms, partners and figures throughout. The tools and the methodology are management-consulting instruments; they do not substitute for a scoped engagement.

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