When partner pay, becomes a test of trust

As law firm partnerships head into another remuneration season, Moray McLaren reflects on why disputes about pay are rarely really about money, and what partner reviews reveal about trust, judgement, and governance inside the firm.

January can be one of the most difficult times of the year for law firm partners and leadership alike - when partner performance is reviewed and profit share is decided. In my experience, there are few processes in a law firm that surface as much emotion as the annual remuneration review.

Money, however, is rarely the real issue. Most of the firms we advise have continued to grow and increase profitability, despite (and in some cases because of) economic uncertainty and geopolitical change. When we speak to partners, many tell us they are financially comfortable and earning more than they ever imagined when they were at law school.

So why does this process so often feel so challenging?

Partners will sometimes point to jealousy - annoyance that a colleague has received more. In practice, what I hear far more often is frustration with processes that feel over-complicated, opaque, and time-consuming, or a lack of understanding about how decisions have actually been reached.

I first saw this when I was at a law firm myself twenty years ago, a senior partner had just received the remuneration list and looked visibly shaken. After a hard, intense year, the figure next to their name was far more than they would ever have expected earlier in their career.

The feeling lasted only a few seconds. As they scanned further down the list, they noticed that a colleague they did not see as performing at the same level had received a few thousand dollars more. The difference was negligible, but their satisfaction faded immediately.

Over the years, I have tried to understand what is really happening in these moments. The reaction is often emotional, but it is clearly not about the money itself. At most, people describe it as feeling "unfair".

The difficulty is that what feels fair or unfair is deeply personal. But get it wrong, and people leave. The real question, then, is how firms better understand and define what fairness means in practice.

How contribution has become harder to calculate

Over the past five years in particular, firms have invested significantly in redefining "contribution" - what partners expect of each other. Lexington´s own research undertaken with the International Bar Association and published by Harvard Law School's Center on the Legal Profession reflects this shift, drawing on a global survey of more than 170 law firms.

Firms are deliberately taking a wider view of contribution, looking not just at financial results but also at behaviours - investment in people, client development, and support for management. In truth, we understand this much better now than we did even a decade ago. Financial results are merely the output of that effort and not the starting point.

All of this is sensible, and in many ways overdue. But it has also had an unintended effect. Once firms move beyond purely financial measures, remuneration no longer works like a slot machine.

Judgement becomes unavoidable. Someone has to weigh different contributions, interpret imperfect data, and make calls that are not black and white.

That is where things often become harder, not easier. The question shifts from "what do the numbers say?" to "who gets to decide?" and, ultimately, "do we trust the people and the process making those decisions?"

Why judgement is unavoidable

As firms move beyond narrow financial measures, remuneration systems inevitably rely more on judgement and discretion. Decisions are increasingly informed by data, but they are never automatic.

This helps explain why more firms are introducing formal remuneration committees, often for the first time. In our research, 46 per cent of firms now have a dedicated remuneration committee, 16 per cent say remuneration decisions sit with firm leadership, and the remainder continue to rely primarily on financial metrics alone.

Why discretion has shifted from leaders to systems

For many firms, particularly as they grow, it becomes more feasible to pass this responsibility to a separate group of partners. Remuneration decisions are complex, highly sensitive, and time-consuming. Committees help avoid an over-concentration of authority, while still allowing leadership to remain closely involved, which is critical given their wider view of partner contribution and access to data. Some firms, including very large and successful ones, continue to place remuneration decisions in the hands of a single senior leader. Where that works, it can work extremely well. But it relies on a very high level of trust and can become fragile if that individual moves on.

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Taken together, these five tests are not about reducing discretion. They are about ensuring that the judgement inherent in partner remuneration is exercised in a way partners can understand, respect, and ultimately trust.

Why transparency is not enough

In the Lexington benchmark, transparency correlates far less strongly with trust than many expect. In partner remuneration, it is often treated as a single concept rather than a multifaceted one that sits on a spectrum. At one end is full transparency: publication of individual partner outcomes, and in some cases the detailed financial and non-financial assessments behind them. I have seen this backfire in some firms. While intended to build trust, it can intensify internal competition, distort behaviour, and reduce the willingness to share work or clients. At the other end is much more limited disclosure: transparency about the structure of the system and the criteria applied, without revealing individual outcomes, and sometimes without identifying which partners sit at which level.

Most firms sit somewhere between these extremes, disclosing partner levels but not the detailed financial or behavioural assessments behind them.

Why perfection is the wrong objective

I have yet to see a perfect remuneration system, and I am not surprised.

This is not about perfection. It is about understanding what is working in the current approach, what is no longer doing so, and where the system needs to adapt as the firm grows and changes. In practice, the most productive discussions are not about finding the "right" answer, but about reaching agreement among partners on the best approach - which elements of the system are working and which are creating friction. The task is to build a shared understanding of what are often complex issues, agree what needs to happen next, and maintain momentum to deliver it. This is rarely easy, given that even minor changes can affect partners' remuneration, positively or negatively.

The mistake many firms make is to treat remuneration reform as a one-off exercise. They invest significant effort, implement changes, and then put the system back on the shelf. Firms that manage this well review the system regularly, test whether it is still doing what it was designed to do and adjust it incrementally over time.

When process determines whether outcomes are accepted

January is difficult not because partners care too much about money, but because remuneration reviews test something more fundamental. They ask whether judgement has been exercised fairly, whether the process can be trusted, and whether individuals feel recognised within the partnership.

Where trust in the process is high, partners may disagree with individual outcomes but still accept the legitimacy of the decision. Where it is low, even small differences are read as evidence of bias or flawed judgement.

Which is why partner remuneration disputes are rarely about money at all.

LEXINGTON

Lexington´s 5S model: Tests for a trusted remuneration system

The test	What it is really testing	At its worst	At its best
Substantive	Are decisions genuinely fair?	Outcomes feel arbitrary or historically biased. Partners suspect favouritism, seniority drift, or protection of special interests.	Partners believe decisions are fair, proportionate, and defensible - even when they personally disagree with the outcome.
Systematic	Are there robust, repeatable processes?	Decisions rely on informal discussion, memory, and negotiation. The process changes depending on who is in the room.	Clear guidelines, defined roles, and consistent inputs reduce discretion without removing judgement.
Straightforward	Can partners understand how decisions are reached?	Opacity fuels speculation. Partners fill gaps with assumptions and corridor conversations.	Partners understand the logic, the criteria, and what is expected at each level - even if all detail is not shared.
Strong	Is the system applied rigorously?	Rules exist but are bent or avoided when conversations feel uncomfortable. Inconsistency undermines credibility.	Difficult decisions are taken when required, applied consistently and sensitively, reinforcing trust over time.
Sustainable	Will the system still work as the firm grows and leadership changes?	The system depends on heroic effort by a few trusted individuals and becomes fragile as roles rotate.	The system is supported by data, resources, and shared ownership - resilient to growth and leadership transition.