

THE RISE, AND RISE OF ATTORNEY SALARIES



THE LONG VIEW OF PRICING, PAYMENTS AND PROFIT

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Did 2021 see the granting of a significant rise in attorney salaries? Well, no, it saw two or even three such raises! 'Big Law' firms who want to remain competitive in the hot market for top-notch legal talent are putting their money where their mouth is by rewarding associates with not one but two raises in one year. And one Big Law firm has even handed out three raises so far. But is this a trend? Or a blip? And the big question is - Is it sustainable?

Third Times' the Charm

This past year, an Am Law 200 law firm did something quite unusual when they raised all associates' salaries by a whopping \$10,000 in July. And just one month later, they announced that on October 1st, starting salaries for associates would go up, along with proportional raises for senior associates. But the ink was barely dry on October checks when the firm announced a third increase—increasing associate starting salaries by \$10,000 or more, along with increases for senior associates effective in 2022.

Not to be outdone, the 44th-ranked Am Law firm announced in March that they were awarding 'Spring Bonuses' of up to \$40,000 to senior associates and first-year associates' base salaries of \$205,000. Senior associates were boosted to \$365,000. Sounding more like a Wall Street analyst than a Big Law partner, one firm's managing partner justified the raises as constituting a 'market correction' and a means of asserting the firm's commitment to competitiveness in the race to obtain and retain high-quality legal talent.

Taking A Look at the 'Cravath Scale'

Although the term 'Big Law' is not officially defined, it is generally considered within the legal services industry to refer to top law firms according to their attorney head-count. It is also referred to medium-sized firms whose salaries match those firms' rates and can even refer to firms

that, despite being smaller in size, are known for their extensive cross-border practices. Big Law firms look to the Cravath Scale as the benchmark for paying their attorneys. That metric calculates an associate's compensation based on the number of years out of law school as paid to associates working at Cravath, Swaine & Moore LLP in New York. That firm is regarded as the pacesetter for associate pay.

The reason managing partners at other law firms rely on the Cravath Scale is simply to stay competitive with what that top-rated New York firm pays graduates from top law schools. As an example, the Cravath Scale for 2021 listed first-year associates' salaries as - Base of \$205,000, Special Bonus of \$16,000, and Annual Bonus of \$20,000, for total first-year compensation of \$241,000. However, the Cravath Scale table shows the total as \$233,500 due to an adjustment for inflation.

Reaching Historic Highs

Looking beyond December 2021, various industry observers see no end in sight to the size nor frequency of associates' salary and bonus increases, with coming annual bonuses expected to rival this year's \$15,000-\$100,000 bonuses. But lest anyone think that such generosity reflects Big Law largesse, it should be pointed out that law firms correspondingly enjoyed record revenues in 2021 and the beneficiary associates worked to the bone to earn those rewards. Record revenue growth

“HOW MUCH OF A DRAG DIRECT EXPENSES WILL BE — THAT'S REALLY GOING TO BE A QUESTION OF HOW LONG FIRMS PERPETUATE THIS IDEA OF CONSTANTLY INCREASING SALARIES.”

**— William Josten,
Manager for
Enterprise Legal
Content, Thomson
Reuters Institute.**

was a whopping 16.5% for the top 50 law firms, according to a Wells Fargo Private Bank survey conducted in August. To help achieve that, many Big Law associates billed over 1800 hours on average this past year—an increase of 150 hours over the previous year, with some attaining 1850-2000 in annual billable hours. No easy task, to be sure, and an undertaking that most certainly adversely affected the associate's mythical work-life balance.

Strangely, firms also offered another reason for the historically high bonuses beyond showing appreciation for contributing to profitability. Some cited the Special Bonuses as a means of attracting lawyers back to in-office work after the Covid-19 pandemic upset normal office routines. After the appearance of the Delta variant, early re-opening plans were again sidetracked, with over twenty major firms now setting their sights on early 2022 for in-person return-to-work target dates. It is, therefore, no coincidence that the re-opening dates just happen to coincide with when the firms plan to payout their 'end-of-year' bonuses.

But is it Sustainable?

If the 'bonus wars' is to continue at the pace it's been going, there would seem to be no ceiling on what a young attorney can earn. But this, of course, comes at the cost of the junior attorney's work-life balance, and many in the industry are now questioning the impact that such hard-driving associates are having on their mental health. This poses the question of whether sky-high bonuses are indeed the best way to retain top legal talent. Attrition and employee burnout

certainly do not serve the firm's interests nor accomplish the talent retention such bonuses were intended to achieve.

Accordingly, some firms are now exploring health-and-wellness perks as another means of rewarding associates while protecting the physical and mental well-being of those valuable assets. However, added on-site gyms and paid-for fitness club memberships will never really take the place of sitting at the 'hour-cranking' machine day after day to meet client demand. And that demand is steadily increasing – according to one major recruiting firm, client demand for legal services hours is up by 15-25 percent this year globally—and growing.

While young, as well as senior associates are undoubtedly smiling all the way to the bank with their record bonuses in hand, a way has to be found to make sure that a significant percentage of them do not end up crying to an early grave.

Executive Summary

1. The Issue

The 'money talks' mentality in law firms has led to blue-chip attorneys being better compensated than ever – in exchange for their ever-elusive work-life balance.

2. The Gravamen

Business is good for law firms, but more business means more work, which ultimately requires more from the attorneys managing the cases. Increased compensations and bonuses indicate there are more sacrifices to come – late hours, weekends, working in-office through the pandemic, etc.

3. The Path Forward

Explore alternative ways of demonstrating employee appreciation that can help boost employee well-being beyond money. Firms that adopt concrete measures for wellness are more likely to attract the best talent over well-paying legal 'sweatshops'.

Action Items:

1 Identify employee priorities and needs:

Take the pulse of your workforce and see if a rising salary range is preferable to perhaps another colleague to share the burden or perhaps more PTO or flexibility to work from home.

2 Recognize 'free time' as a currency:

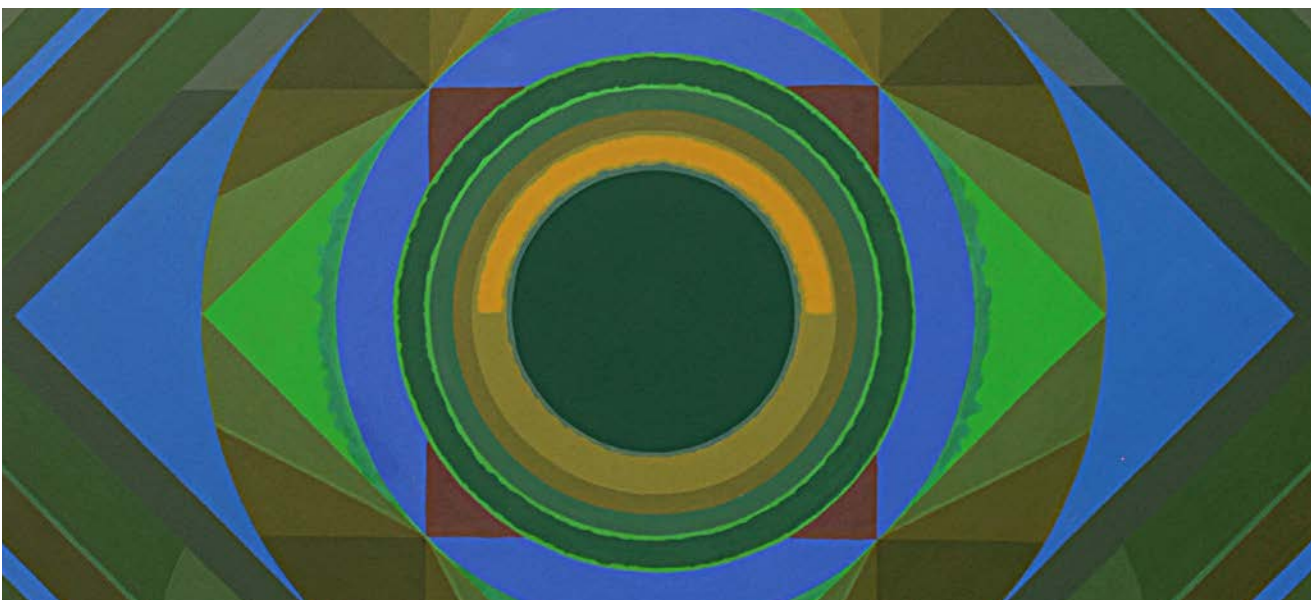
Even workaholics need rest and relaxation, otherwise, talented attorneys are more likely to *burnout*.

3 Factor-in health and wellness benefits into the budget:

If the workforce is compensated in established tranches like the 'Cravath Scale', benefits and the logistics that support it can be increased in lieu of having a pure increase in salary numbers.

Further Readings

1. <https://www.wsj.com/articles/entry-level-lawyers-are-now-making-200-000-a-year-11623499201>
2. <https://www.abajournal.com/news/article/cravath-is-first-to-announce-year-end-bonuses-with-more-money-for-each-class-year>
3. <https://blogs.opentext.com/how-to-increase-billable-hours-and-revenue-for-your-law-firm/>
4. <https://abovethelaw.com/2021/11/biglaw-bonus-tracker-2021/>





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After receiving his Juris Doctor degree from The John Marshall Law School in Chicago, Mr. Brochin served as an Administrative Law Judge with the Illinois Department of Labor for six years where he presided over cases dealing with job separation issues and matters pertaining to contested Unemployment Insurance claims. He also co-wrote the agency's administrative rules, and periodically served as a 'ghost writer' for Board of Review decisions. Following that position, he was Director of Development for a Chicago-area non-profit college where he was responsible for High Net Worth donations to the institution. For the next eighteen years he practiced as a solo practitioner attorney with an emphasis in the fields of Real Estate law and Commercial Contracts transactions, and was an agent for several national title insurance agencies.

In 2003 he was recruited to head up a U.S. title insurance research office in Israel, a position he held for four years, and between 2007-2017 he participated in litigation support for several high-profile cases. He has taught Business Law as a faculty member of the Jerusalem College of Technology, and has authored a wide variety of legal White Papers and timely legal articles as a professional legal content writer for GPL clients. Separate from his legal writing, he has co-authored academic articles on Middle East security topics that have been published in peer-reviewed publications.



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William Anderson is Managing Director and Head of Law & Compliance. He leads the GreenPoint practice in providing regulatory, legal, and technology solutions to law firms, legal publishers, and in-house law departments around the world, overseeing our team of experienced US attorneys and data and technology experts. Will has over 25 years' experience working with corporations to improve the management of their legal and corporate compliance functions. Will began his legal career as a litigator with a predecessor firm to Drinker, Biddle LLP. He then served as in-house counsel to Andersen Consulting LLP, managing risk and working with outside counsel on active litigation involving the firm.

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