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## BigLaw's 2022 Associate Raises 'Like Playing Chicken'

By **Aebra Coe**

Law360 (June 16, 2022, 2:54 PM EDT) -- In every previous year that Cravath, Milbank or Davis Polk announced associate raises, the rest of BigLaw fell in line within weeks. This year has been a different story, with a slow trickle of matches drawn out over nearly five months.

As economic uncertainty looms and some firms see declines in demand compared with last year, hesitation seems to have crept into the boardrooms of large law firms when it comes to implementing a second round of associate raises in two years.

While the most profitable law firms in the U.S. are clearly doing well and able to absorb the cost of the recent pay raises, others were less sure and waited to see how the economy fared and whether it was absolutely necessary to match those salaries to attract and retain talent, according to Peter Johnson, founder of Law Practice Consultants LLC.

"It's like playing chicken," Johnson said. "Who's going to give first?"

Last year Milbank LLP started a round of associate raises, from starting pay of \$190,000 to \$205,000, on June 10. By July 1 at least 95 law firms had matched the new scale.

But this year after Milbank announced a subsequent round of raises in January to a starting salary of \$215,000, things went a little haywire. A month later only 12 firms had matched the new pay scale, according to Law360's salary tracker.

Then on Feb. 22 Davis Polk & Wardwell LLP announced raises exceeding Milbank's for midlevel and senior associates, and a handful of firms began to follow. On March 1 Cravath Swaine & Moore LLP raised the game further, and about 70 law firms announced matches over the next month.

That led to another two months of law firms readjusting their raises and others holding out before finally choosing to match Cravath's rate. Just last week D.C.-based Wiley Rein LLP said it raised first-year associate salaries to \$215,000. That's nearly five months after Milbank's initial move to raise associate pay.

As the wider economy hits some speed bumps, Johnson said law firms are growing increasingly cautious about adding to their expense sheets.

Higher salaries lead to higher overall expenses, which often means law firms have to raise rates for clients. And in a down economy some clients will give less work to a law firm if its rates are too high, he said.

"Law firms are more guarded and are being more conservative. And they're not interested in engaging in bidding wars for associate talent as much as they were last year," he said.

In 2021, matching Milbank's raises was a "no-brainer," according to Summer Eberhard, a partner in the associate practice group at Major Lindsey & Africa.

Compensation hadn't been raised since 2018 and lateral hiring was the most competitive it had ever been, Eberhard said. The raises in 2022 were "a bit more unexpected," she said.

"One of the reasons some firms waited was to figure out whether [raising pay] was necessary to attract and retain lateral talent," she said. "Some firms are choosing to match now because while the hiring frenzy of 2021 is past, they're still looking for lateral talent in a variety of practices and they want their current associates to feel they are compensated fairly among their peers at other firms."

Although it has taken longer, around the same number of law firms as of mid-June have matched the new prevailing pay scale this year as did last year.

According to Barbara Mayden, co-founder of Young Mayden Legal Search, even though law firms' hands were in a way tied on raises as a result of the talent war, some still may end up regretting them.

"I believe that the initial rounds of raises were in large part finessed, that there was still overhead and other less painful avenues to squeeze for payment. But now, it's coming from the bone: partner compensation," Mayden said.

Law firms that are unable or unwilling to raise rates often have to pay for associate raises by cutting into partner compensation.

As a recruiter, Mayden said she has seen firms that have increased associate pay pushing down the cost to junior partners, and those lawyers then find that their compensation is only little more than what they made as an associate.

"They're pissed. I'm getting calls from them. It's all untenable," she said.

In addition to the financial pressure, there's been an increasing awareness in the industry that compensation is not the be-all end-all for today's associates, according to Kathryn Holt Richardson of HR Legal Search.

"Top talent seeks flexibility, sophisticated and impactful work, welcoming and collaborative culture, work-life balance," Richardson said. "[Today] it's imperative for firms to distinguish themselves. Top-of-market compensation is one of many ways to stand out in the pack."

--Editing by Brian Baresch and Orlando Lorenzo.