Spread of Partner Pay Widens in Parts of Big Law

Many firms in the Second Hundred tier may be more sensitive to individual contributions from rainmakers compared with Am Law 100 firms.

By Andrew Maloney | Originally published on **The American Lawyer (/americanlawyer)** | July 15, 2021

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Amid increasing competition for the best talent, the pay gap between the highest-paid and lowest-paid equity partners is climbing in some segments of Big Law.

The median ratio between the highest and lowest-paid equity partners at Second Hundred firms in particular—those ranked No. 101 through No. 200 in the Am Law 200—has widened, extending from 7.5-to-1 in 2019 to 8-to-1 in 2020, according to American Lawyer data taken from a survey of law firms each year.

But the widening pay ratio trend wasn't felt everywhere in the Am Law 200. The median equity partner pay spread at Am Law 100 firms went down slightly, from 9-to-1 to 8.8-to-1, according to the survey data.

Many firms in the Second Hundred tier may be more sensitive to individual contributions from rainmakers compared with Am Law 100 firms, contributing to part of the discrepancy, according to law firm consultants.

Among those median values, there were still big leaps and drops in partner pay ratio at individual law firms.

Firms with the largest increases in the equity partner spread from 2019 to 2020 include Missouri-founded Polsinelli and Ohio-founded Benesch. Polsinelli widened from 11-to-1 to 20-to-1, and Benesch's partner pay ratio expanded from 12-to-1 up to 21-to-1.

The firm with the largest drop in partner pay ratio from 2019 to 2020 was Ohio-founded Shumaker, Loop & Kendrick, from 26-to-1 to 13-to-1.

Representatives for Polsinelli, ranked No. 68 in the Am Law 100, and Shumaker, No. 187, did not respond to messages seeking comment.

Meanwhile, Jeffrey Wild, chief strategy officer at Benesch, said his firm's equity partner pay wide spread is a choice—a product of the firm rewarding the most significant contributors.

"Other law firms are often not as flexible with regard to their compensation structures and/or do not take into account their partners' contributions to the firm's bottom line," Wild said in an email, adding that "our merit-based compensation structure is a draw" for Am Law 50 laterals.

Benesch, ranked No. 164 in the Am Law 200, is not alone. Many firms in the Second Hundred tier are evaluating compensation in more nuanced ways and making more of an effort to reward top-earners when they have the resources to do so, said Tim Corcoran, a law firm consultant who specializes in compensation issues.

Those efforts are going to be reflected in the data more so than the top 100 firms, Corcoran said.

"Those firms [in the Second Hundred] are far more sensitive to differences in contributions and differences in rewards, both practically and emotionally," he said. "If you have a rainmaker in the Second Hundred, they literally have more of an impact at the firm than they do at a firm with $3 billion in revenue."

Overall, many firms across the Am Law 200 continued to maintain wide compensation spreads. For instance, firms that reported the widest spreads in 2019 were Shumaker; Perkins Coie (25.9-to-1) and Barnes & Thornburg (22-to-1). In 2020, it was virtual distributed firm FisherBroyles (1,010-to-1); Perkins Coie (30.9-to-1) and Benesch.

Culture and Spread

The spreads speak to culture, said Kay Hoppe, a Chicago-based legal recruiter. Some firms like wider spreads because they may help lure rainmakers who thrive on competition. Others like a more level playing field. But even if the numbers aren't dramatically different year-to-year, that doesn't mean firms aren't tinkering with their payment frameworks under the hood.

"The spread is interesting, and maybe it doesn't change. But where they are investing, that does change," Hoppe said.

Many firms right now, for instance, are going especially hard after elite corporate and transactional talent, in both the partner and associate ranks. And the broad trend of increasing partner profitability has driven up the spread at individual firms.

"Obviously it's been a growth period. Is there some spreading? At times, yes, in practices that have been in particularly high growth of late, there's some growth in compensation that's exceeded kind of an average," Mike Schmidtberger, chair of Sidley Austin's executive committee, told The American Lawyer last month. (https://www.law.com/americanlawyer/2021/06/23/sidley-intensifies-lateral-hiring-as-industry-demand-and-pay-for-top-talent-climbs/) "But if you look at our partner ranks, compensation has moved up in every level."

Bob Grand, chair of Barnes & Thornburg, where the spread was 22-to-1 in 2019 and 18-to-1 in 2020, said his firm's numbers are still being driven by long-term increases in productivity and profitability, as well as the firm's payment system, which is "largely merit-based."

"With partnership profitability, those numbers have been increasing," he told The American Lawyer in an interview earlier this year. "That largely comes from folks who are generating a lot of income for the firm." He could not be reached for additional comment.

But firms are also constantly making decisions about where to invest among tiers of lower earners, too.

Hoppe, the Chicago recruiter, said it's possible firms on average are starting to pay their younger, lower-earning lawyers more money, and that change may not be visible in the equity partner spread data.

The overall averages in pay ratio are trickier to compare year-to-year because the 2020 sample includes pay ratio data from FisherBroyles, which uses a model where partners retain 80% of the fees they earn from work they originate and handle themselves, while the remaining 20% goes to overhead expenses such as marketing and information technology.

That system translated to a pay ratio of 1,010-to-1 in 2020—an outlier even relative to the second-highest spread in the sample, 30.9-to-1 at Perkins Coie. But sans FisherBroyles, the overall average in the Am Law 200 looked steady—ticking down only slightly, from 9.4-to-1 in 2019 to around 9.2-to-1 in 2020.

Michael Pierson, FisherBroyles' managing partner, told Law.com that the firm's "formulaic compensation model at the firm generally rewards net-finders of clients, so it would be unsurprising that lawyers at our firm who have substantial books of business would far out-earn other lawyers at the firm."

He noted that FisherBroyles doesn't flatten out compensation or redistribute funds brought in by top-earners. Clients looking for cost savings have been attracted to the firm because it cuts out overhead expenses for them, he said, and "makes us extraordinarily competitive when it comes to hiring lateral partners."