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## Mid-Law Salaries Rising Amid Pressure From Market, BigLaw

By **Emma Cueto**

Law360 (August 19, 2021, 4:14 PM EDT) -- As BigLaw firms raise associate salaries to new heights, many midsize firms are also increasing their compensation, a move driven largely by the same market pressures affecting BigLaw.

Experts said that while some of the increases occurring or being discussed in Mid-Law may be driven by the pressure not to fall too far behind the salaries offered by larger firms, industry observers also noted that midsize firms are seeing the same increase in work as BigLaw firms and, as a result, are facing the same competition for talent with their peer firms.

"I think the entire industry is affected when BigLaw makes these moves," said Ronald Shechtman, managing partner of Pryor Cashman LLP. But at the same time, he added, salary increases are also not a surprising response as Mid-Law itself has had a very profitable year.

This summer has seen a wave of associate pay increases in BigLaw, with Davis Polk & Wardwell LLP **setting a new scale** in mid-June starting at \$202,500 and going up to \$365,000. Many firms **quickly followed suit**, with others catching up **later in the summer**, although **not all have fully matched** the Davis Polk scale.

Mid-Law firms — which include firms with headcounts of 100 to 300, as well as prominent regional and boutique firms — tend to have lower salaries than their BigLaw brethren, but increases among the major players can have a trickle-down effect and put pressure on the rest of the industry.

"They're feeling a squeeze," said Peter Zeughauser of The Zeughauser Group. "They want to attract top talent, and the disparity in pay is becoming significant."

However, there are also other factors affecting Mid-Law compensation. Zeughauser noted that he's heard of firms increasing associate salaries recently not as a direct result of trying to keep up with BigLaw but simply because of the rising demand for work typically done by associates.

Brian Kennel of law firm management consultancy PerformLaw argued that direct pressure from big firms likely affects midsize firms to some extent, but firms are also facing pressures such as cost-of-living increases and competition from in-house departments, which are also hiring.

"I think on the margins, the big firms are putting salary pressure on smaller firms," he said in an email. "But other factors are likely more relevant when you go market by market. ... The big firms paying significant salaries and bonuses are a relatively small portion of the market for total hiring."

In addition, midsize firms are also experiencing the same market forces impacting BigLaw: increased client demand, leading to more revenue and more competition for talent.

The managing partners at Pryor Cashman LLP and Benesch Friedlander Coplan & Aronoff LLP both told Law360 Pulse that they had increased their own associate salaries before Davis Polk unveiled its new scale.

"I hardly think of us as trendsetters, but we had responded about a month before BigLaw announced their increases, which put a bit of a smile on my face," said Pryor Cashman's Shechtman.

Pryor Cashman, he said, doesn't pay on the same scale as the likes of Davis Polk but has historically still been able to compete for talent with the major players. The firm wants that to continue.

However, he added, the decision to increase pay was driven in large part by the fact that the firm is having a very successful year and feels it is important that associates share in that success and see their hard work rewarded.

Gregg Eisenberg of Benesch Friedlander expressed similar sentiments. Benesch Friedlander, which varies its salaries based on location, increased its pay scale on June 1. Under the new scale, associates at the firm's San Francisco office have the highest base pay, with first-years making \$205,000, while associates at its two Ohio offices the lowest, currently starting at \$150,000, according to Eisenberg.

The firm wanted to make a move early and send a message to its associates that they are valued, Eisenberg said.

"That's the future of our law firm," he said. "This was a difficult period for a lot of people, working under very difficult circumstances. And our associates were very much responsible for helping us and helping our clients through a pandemic. They did a phenomenal job ... and really helped us become a better, stronger firm."

Eisenberg added that he expects midsize firms that haven't increased their pay to do so soon.

"A lot of firms are extremely busy, so there's a war on talent ... and part of retaining and getting new talent to your firm requires that you pay fairly," he said. "I would presume that if firms have not already made changes, they will, to the extent they can tolerate that."

As market pressure mounts, some firms may also get more creative with compensation. Zeughauser noted that in the past, firms that have been unable to keep up with the market on base salary increases have shifted toward emphasizing merit-based compensation in order to try to retain their best and brightest. They have also created tiered systems under which associates who put in more hours or demonstrate greater competency earn more.

Firms may also start recruiting first-year associates from a wider variety of law schools or reach deeper into the class rankings than they have before, he said.

"The data indicates that some of the credentials that firms look to are not outcome-determinative of ... an associate actually becoming a successful partner in a firm," he said. "So recruiting more broadly and paying a little less money in doing so does not necessarily diminish the level of quality."

"These things have worked in the past," he added.

Overall, law firms of all sizes are in a good position to provide higher salaries, whether those salaries stack up with BigLaw or not.

It remains unclear, however, whether the market forces driving these increases are stable. Law firms as a whole saw soaring profits in 2020 as the pandemic drove a huge demand for legal work while also allowing firms to cut costs. But how long that state of affairs will last **is uncertain**.

And the industry seems particularly wary of making predictions after the past year of unexpected twists.

"We paid everybody back at the end of August last year [for salary cuts made early in the pandemic]," Shechtman said. "We were just beginning to believe we were going to come out of this OK."

A year later, the firm is discussing salary increases. A year from now, he said, who knows?

--Editing by Steven Edelstone.

*Correction: A previous version of this story misspelled Ronald Shechtman's name. This error has*

*been corrected.*

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