

The Cravath Pay Raise: Challenges and Opportunities for Law Firms

In a new **Bloomberg article**, Stephen Poor, chair emeritus of Seyfarth Shaw, offers some perspective on what lies ahead for law firms in light of the recent escalation of pay for associates. He concludes that firms “still using a more traditional structure will experience this compensation increase as the first domino in a cascade throughout all fee earners, putting immense pressure on future performance and the health and stability of the firm.”

Traditionally, he writes, firms passed the burden of salary hikes to their clients via higher rates, reducing expenses elsewhere in the organization, raising (often silently) expectations on associates or being quicker to cut expenses (and people) in the face of declining demand.

“This time is different,” he writes. “Not because Big Law has moved into some form of corporate socialism, but because circumstances have changed. As power has shifted to buyers of legal services and the options for legal service delivery have expanded, the idea that firms will be able to shift some or all of the cost of associate compensation to rate increases seems almost inconceivable. Over a period of years? Perhaps. From the start? Not likely.”

Read the article.