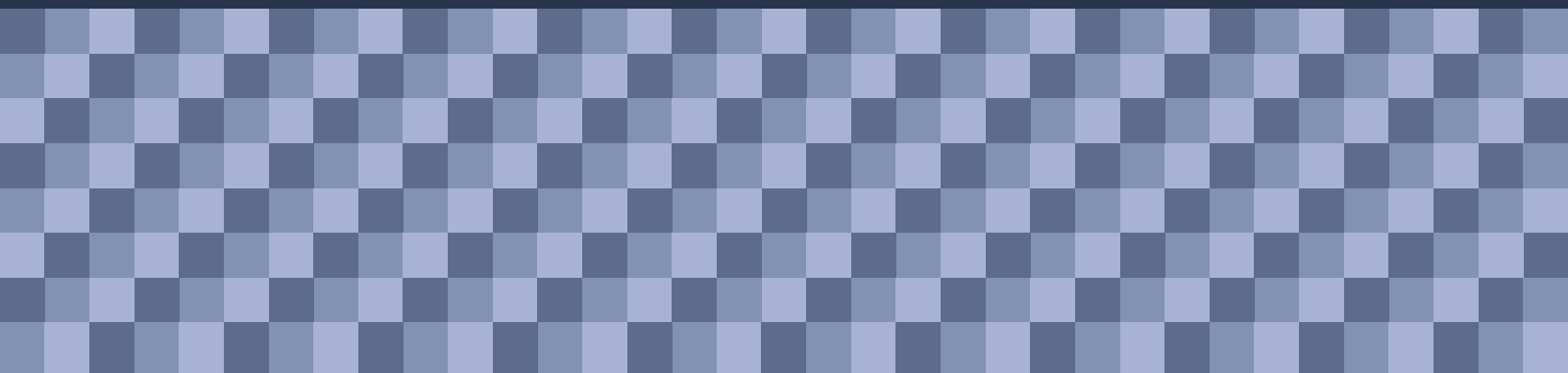


ATTORNEY SEARCH

ARTICLE OF THE WEEK

by Harrison Barnes, CEO of BCG



Top 10 Reasons Why High Junior Associate Salaries Are Destroying the Legal Profession

Summary: *Learn why an increase in law firm salaries is so destructive to the legal profession and will ultimately harm many attorneys.*

When the economy is doing well for more than a few years, a name brand firm will raise its salaries and then scores more will quickly follow. When this occurs, attorneys become like rabid dogs and begin obsessively keeping track throughout the day as to which firms are the latest to raise salaries, hoping to find their own firms on the list.

The largest and most successful law firms begin feeling immediate pressure to raise salaries and within a short time others capitulate. Smaller to midsized firms also begin feeling pressure to raise their salaries—albeit by not as much—but they still do. The few major law firms that do not raise their salaries start to quickly suffer from defections, unaccepted offers from law students and in general a “weakening” of their brands and so they soon capitulate as well.

- See [2016 Law Firm Salary Chart – Firms Announcing Raises](#) for more information.

I have been in the legal recruiting realm for almost my entire career and I can think of nothing more dangerous or harmful for associates and law firms than salary wars. In fact, salary wars are one of the most destructive things that can happen to attorneys and they have ended more careers than I can count—and prevented numerous careers from getting started in the first place. Each salary war destroys countless careers that would have thrived under more “normal” market conditions.

This article discusses the problems with drastically increasing salaries in the legal marketplace and why, when this occurs, it is time to start exercising extreme caution with careers. The phenomenon of drastic salary increases generally tends to occur right before major recessions in both the economy and the legal marketplace. Inevitably, increased salaries lead to mass layoffs, make the careers of partners, counsel and others within law firms less secure, result in more people going to law school and more competition for jobs, result in tension between associates and partners, create more demands for billable hours and less loyalty, result in less training for associates, less client satisfaction, more turnover inside of law firms and more.

See the following articles for more information:

- [Salary Wars and Associate Hiring](#)
- [The Perpetual Salary Wars](#)



1. Salary Wars Have No Real Connection with Where Market Demand in Certain Practice Areas Really Lies

Salary wars generally start when there is a “war” for the most talented corporate attorneys. When there are a lot of deals being done and not a ton of talented corporate attorneys out there to do these deals, law firms generally start paying starting bonuses and then a year or two later raise salaries. This pattern has been going on for decades. The idea is that raising salaries will keep the most talented (and profitable) corporate associates around, motivate them to work very hard and hopefully prevent them from [going in-house](#).

Notice I am talking about “corporate attorneys” here. I am not talking about a “dearth” of litigators, for example. (In general, there are always so many talented litigators out there they are practically coming out of the walls.) I am talking about corporate attorneys: A tedious form of law that is often extremely “clerical” in nature and requires a certain mindset to do. Corporate work generally reaches a “fever pitch” when the economy is very “hot” and there is a lot of work in the pipeline. When the economy heats up law firm corporate attorneys become overworked and very busy and the law firms want to keep them at all costs.

What is so strange about these salary wars, though, is that when they occur there are often very few openings in other practice areas such as litigation, intellectual property, real estate (if interest rates are high) and other practice areas. It does not matter! The salaries of these attorneys increase as well! We are all in this together right? Strangely, markets like Washington, DC which are not “corporate centric” in terms of their openings also participate in these salary booms.

The litigator, employment attorney and others in the law firm barely billing 1,800 hours a year may feel their salary increases are justified—but they are not. The economics of raising the salaries of the least busy and productive members of the firm makes no sense. But that is how it works inside of law firms! It simply makes no sense!

I know lots of doctors. The ones who want to make money go into things like orthopedic surgery because that is where the money is. If an attorney wants to make money it should stand to reason that the attorney should choose a practice area where the attorney will make the most money, but it simply does not work that way! Law firms pay everyone the same—regardless of their practice areas!

This nonsensical approach to running a business means that the rates of clients will increase for all types of work regardless of demand. In a well-run “market economy” the rates for attorneys working in practice areas that are not as in demand would generally be lower—but not in major law firms. The rates all generally stay the same (with a few exceptions).

Because of the “screwy nature” of the law firm business model, firms often end up throwing out



entire departments when salaries increase. One example is employment law. Employment law and litigation is a practice area that clients can do in-house and, for the most part, are practice areas that contain a lot of relatively “mundane” tasks that lots of people are willing to do at a low cost. Unless a large law firm is fighting a major class action on behalf of a client, it often makes zero sense for the client to retain a large law firm. There is a ton of pressure on large law firms to keep their rates low for employment work. Due to this, when salaries increase, rather than paying its employment attorneys more money many law firms simply shut down their employment practices, or lay off lots of attorneys. When they do rehire people they bring them on as staff attorneys.

Because salary wars have no connection to market demand, law firms are actually made more inefficient and less competitive in the marketplace when they occur. They should raise the salaries of their corporate attorneys and the people they are having a difficult time holding on to. They should not make a decision to increase their cost of doing business across the board and for every type of associate inside of the law firm. This is a bad idea for several reasons:

- It actually makes it even harder for attorneys in slow practice areas who are not in demand to get jobs because of law firms’ increased cost of doing business.
- It increases the cost of doing business for law firms that are not “corporate dependent” and this makes them more likely to want to do “more with less” and lay off associates to cover this increased cost of doing business.
- It creates resentment in the corporate departments of major law firms that other practice areas that may be slow are not “carrying their weight” and often results in group lateral movement that would not happen otherwise.
- It gives attorneys who are not carrying their weight in slow practice areas an over exaggerated sense of their value, which is unsustainable in the market.

2. Salary Wars Increase the Costs of Doing Business for the Very Law Firms That Should Not Be Increasing Their Costs of Doing Business

None of this is to say that certain law firms should not be paying very high salaries to attract the best talent—and that these law firms can afford to do so. [Cravath](#), [Wachtell](#), [Sullivan & Cromwell](#) and a few other firms have every right to pay these sorts of salaries. They have huge, immensely profitable institutional clients, draconian work ethic expectations and have attracted the very, very best talent for generations of attorneys. If anything, firms like this should be paying salaries in “a separate universe” than average law firms (which, I guess, Wachtell has always done with its bonus model).

The problems I discuss in this article result when firms outside of the Cravath league start raising salaries. Let’s face it: Most AmLaw 100 law firms are not “Cravaths” and they know it. They are



never going to attract the same level of talent and most are never going to have the same sort of “blank check” level of trust with their clients. Sullivan & Cromwell, for example, famously used to just send a bill with a number on it and not a collection of the hours billed (but would grudgingly produce this if asked). Lots of the corporate work that Wachtell does is “fixed fee” and on a percentage of a deal.

Most law firms that raise salaries are playing a game they can ill afford to play. They are like someone who is already deeply in debt purchasing an expensive car and going on an expensive vacation to keep up with the neighbors. They are like an athlete who is using illegal drugs to try and compete more effectively. In short, they are doing something they should not be doing that is almost always going to have adverse consequences in the future.

Salary wars raise the cost of business of law firms that may not be dependent on sophisticated corporate work for the majority of their revenue. Doing this makes them less competitive in the marketplace. As will be discussed below, when a law firm raises salaries it generally is going to set itself up for mass layoffs at a point in the near future. Raising salaries generally overextends law firms, because the increased salaries have no connection with the market and the level of demand actually enjoyed by that particular firm. Paying Cravath salaries does not turn a firm into Cravath.

3. Salary Wars Always Lead to Mass Layoffs and Lots of Pain

Once law firms start aggressively raising salaries across the board, you can be guaranteed that mass layoffs and lots of broken dreams and careers will follow very shortly. It always happens. It happens like clockwork about every eight years.

- **See [Why Every Big Firm Practice Area Eventually “Self-Destructs” at Least Once Every Eight Years](#) for more information.**

Neither Cravath, Wachtell, or Sullivan & Cromwell has ever laid off associates in my memory. Firms that should raise salaries and can easily afford to do so never need to lay people off. They have solid clients and can afford to raise salaries. The majority of law firms that raise salaries, however, are like people using high interest credit cards to pay their rent: They are going to get themselves in serious trouble.

The reason law firms get into serious trouble when they raise salaries is due to the reasons above: Salaries increase due to demands in only one practice area (corporate). Corporate is a practice area that moves in tandem with the economy. When the economy is active, corporate lawyers get very active at firms up and down the prestige ladder. When the economy slows down, law firms get very, very slow. In fact, corporate gets so slow during bad economies that corporate

attorneys often try and become litigators. All the revenue that was coming in when the economy was doing well suddenly dries up and stops—almost instantly. Law firms get in panic mode and start slashing like crazy.

When the corporate market slows down, the majority of law firms out there will start laying off corporate attorneys en masse. These layoffs will be rapid and extreme. Entire classes will be let go. Law firms will start deferring starting classes and all sorts of suffering will occur. Moreover, not only will corporate attorneys lose their jobs, but law firms also will take the opportunity to “clean house” by letting go attorneys in all of the “slower” practice areas who received raises during the period of economic optimism when the salaries were being raised due to so much corporate work being available in the market.

While I do not want to get too far into it, this period is always one of great pain for attorneys. There are so few corporate jobs available that attorneys during these periods often leave the practice of law entirely when they are unable to find positions. It does not matter where they went to law school, or how good their previous positions were, the layoffs are brutal and severe. When I use the word “brutal” I am in no way exaggerating: Tens of thousands of attorneys all over the country who were at one time “flying high” often leave the practice of law, or find themselves working in the sorts of legal jobs they never imagined they would have. In New York and the Bay Area, recessions are unbelievably brutal and in many major American law firms over 75% of the junior to midlevel corporate attorneys will be let go—together with many, many more in other practice areas. Because literally everyone may be cleaning house at the same time, there are simply no jobs for anyone to do. People leave New York and the Bay Area in droves, people get divorced and all sorts of other problems rapidly ensue.

Most people think this sort of thing will not happen to them. Most people do not think they will get cancer, or have a heart attack, or a stroke, either—but statistically most people will have one of these things happen to them.

I tell you all of this because I am the one who takes these phone calls and sees all of this first hand. When these recessions hit and so many careers go in the toilet all of the exuberance that attorneys felt when salaries were raised—and their false sense of self-worth—suddenly goes away. The “shock” to these attorneys is particularly severe, because they go from being on top of the world in the eyes of their non-attorneys friends and families to being practically unemployable.

All of this is caused and exacerbated by the fact that salaries increase and law firms start living beyond their means. In an ideal world, when a law firm is doing well it should put aside money for a rainy day so it can weather recessions. Instead, like a teenager with a charge card with no limit, law firms raise salaries and spend money they should not be spending.

4. Salary Wars Make the Careers of Partners, Counsel and Others Inside of Law Firms Far Less Secure as Well

Every law firm is composed of multiple layers of dead weight. The older the law firm, the more dead weight there is. Many partners, counsel and others are able to survive for decades inside of law firms by contributing far less than many of their peers. They may get involved with various committees, attach themselves to various partners with business and more. Nevertheless, when the gravy train of corporate work slows down everything gets questioned and law firms will start letting these people go. Just as raising salaries might have been a “knee jerk” and irrational decision when it was made, so too will these layoff decisions often be quite irrational.

I feel very sorry when this happens, because by this point many of these partner and counsel-level attorneys have families, children in college and other obligations and commitments they have built up over a long period of time. Moreover, their identities and sense of self-worth is often tied up with their jobs and with working closely with a group of people whom they have come to trust and whom they believed cared about them in their careers. None of this matters when everything comes crashing down, though. The value these partners and counsel may have offered to the firm at one point in time may no longer matter in the face of layoffs when everything begins to be questioned.

While it is hard to believe that a salary increase could cause this sort of mayhem, it does. Rather than pay lower salaries that reflect the “market worth” of a junior associate, instead law firms pay these salaries to new associates (“strangers”) and it ends up hurting those who are part of the fabric and identity of the law firm.

In addition, because law firms need to pay junior associates so much (and they have lower billing rates) law firms will prefer giving them work over more senior attorneys. Instead of giving work to people who might be able to do it most competently, they will often give the work to more junior attorneys over senior attorneys.

5. Law Firms Have Little Tolerance for “On the Job Learning” and Mentoring for Junior Associates When They Are Paying Such High Salaries

As a preliminary matter, it is important to understand that most associates generally do not know what they are doing until they have been practicing law for at least a few years. In fact, most law firms will write off a substantial portion of the hours of junior attorneys because they are “learning on the job” and not nearly as efficient as they should be with their time.

However, when the salaries of junior associates rise law firms have less tolerance for “learning on the job” and firms start expecting junior associates to get up to speed very, very quickly. Reviews become harsher, and to recoup their investment law firms start expecting even more hours out

of their associates. To justify their high salaries, junior associates start getting the message that they have to start billing even more extreme hours than they may have before in order to stay employed. In fact, many attorneys learn early in their careers that the quality of their reviews are more a function of how many hours they bill than the quality of their work!

With no economic justification for paying junior associates such high rates, law firms are making bad investments and using their money improperly. Law firms will justify these expenses on the rationale that they will “recoup” their investment when the attorney is fully up to speed in a few years and has been trained. Unfortunately, this is flawed logic, because the majority of attorneys in most major law firms will switch firms, or leave the law firm world altogether after a few years of practice! It makes absolutely no sense for law firms to invest so heavily in the future when the people they are investing in generally have no loyalty to them.

The pressure junior attorneys feel to perform causes otherwise talented attorneys to get a profound distaste for the practice of law. The pressure these attorneys experience also increases the cost of law firms doing business because so many attorneys end up leaving and then the firms need to hire laterally to replace them. The practice of law becomes something much different than an intellectual pursuit and, instead, becomes an endurance game where people are expected to “give it their all” to justify their existence.

Even in feudal times, serfs were allowed to leave the fields at night and go home and spend time with their families. Not so in industrialized law firms where attorneys are expected to bill incredible hours—they arguably would have led more balanced and healthier lives five hundred years ago as serfs. The majority of attorneys I know who have lasted to their mid-40s inside of law firms have had significant health and/or psychological problems and family problems. How could they not? Their life becomes a constant struggle for survival.

See the following articles for more information:

- [**Another Big Law Attorney I Know Just Died Young**](#)
- [**Why Most Attorneys Are Unhappy**](#)
- [**Top 14 Ways Attorneys Can Avoid Burnout from the Stress of Practicing Law**](#)

A final problem is that attorneys never get comfortable in their jobs. I have not practiced law in almost two decades but am still regularly woken up by dreams that I have not billed any hours in a few weeks! What is going to happen to me if I do not bill any hours? The struggle to bill hours creates an atmosphere where there is little loyalty on either side and both sides distrust each other. At least in feudal times a serf could be assured he would always have a job tending the same plot of land. In the modern law firm there are essentially zero assurances.

6. When Salaries Increase Law Schools Start Enrolling Many More Future Attorneys Who Should Not Be Entering the Profession and Who Will Graduate Disappointed with No Jobs

Once salaries start increasing, future attorneys start seeing dollar signs and enrolling in law school in droves. Law school enrollments start increasing dramatically. While there is nothing wrong with going to law school, many enroll in the hope that they will qualify for these highly-paid jobs and get them. If they go to a top 10 law school the majority will get these sorts of jobs if they so choose, but the further down the line these students go the more difficult getting these jobs will become.

Enrollments will start to spike inside of law schools at about the same time as a legal recession will hit. When the recession hits, the legal job market is generally particularly unforgiving. These students will graduate into a career that is hostile and unwelcoming to them. In massive debt, these future attorneys will find themselves working as contract attorneys and in jobs they do not enjoy. They will become “second class” or even “third class citizens” in a profession that does not want them.

On a daily basis I encounter all sorts of people I know would have been enormously successful if they had gone into other professions. Some of these people might be good salespeople, talented musicians and have other skills where they achieved impressive prominence before going to a third-tier law school and emerging on the other side with no job or prospects. Just because a profession looks “hot” in the eyes of the public at one point in time does not mean it is the right profession for these attorneys.

I review hundreds of resumes each day and talk with hundreds of attorneys a month. I would say the majority of these attorneys would have been far more successful had they not gone to law school. Why go into a profession that does not want you, or will not welcome you?

The amount of debt that future attorneys take on in pursuit of a profession that does not want them is staggering. The only people who end up “doing well” are law schools and the banks that loan them the money.

- See [Why You Should Think Twice about Remaining in Law \(or Going to Law School\)](#) for more information.

7. The Promise of Large Pay Days Attracts the Wrong People to the Practice of Law

A majority of future attorneys go to law school for financial reasons (to make money) and not because they have a particular interest or affinity for practicing law. This ends up harming them and the profession because attorneys end up entering the practice of law for the wrong reasons.

At its heart, the practice of law is an academic profession where the job of an attorney is to look out for the interest of others—whether that is an individual, corporation, or group. The job of an attorney is not to look out for themselves and their self-interest. People who practice law and have an aptitude and affinity for it need to be more interested in and concerned with solving the problems of others than they are with great wealth, or their own prestige. Someone who is a fit for the practice of law generally has an intense interest in taking the side of someone and doing everything he or she can to help that person get the most out of whatever they are doing.

There is nothing wrong with wanting to make money, of course, but the prime motivating factor for someone being an attorney should not be that. When it is all about money, the calculus of who becomes an attorney begins to change, and with it the profession. In the 1950s people did not go to law school for financial reasons, for example. They went to law school because the profession appealed to them. When money becomes a motivating factor, people who might have done far better in other professions (finance, management, business, sales and so forth) go to law school and end up in professions they are not happy in, or suited for.

More importantly, when a law firm is made up of people who are there because they are most concerned with making money, what do you think happens? The law firm management starts demanding massive hours, cuts associates dramatically at the first sign of a slowdown and stops caring about developing attorneys and instead cares more about exploiting attorneys. Partners, associates and everyone in the firm become either a cost center or a profit center. Cost centers are cut and the “profit centers” are exploited to the maximum extent possible—including partners.

A large part of my recruiting business involves moving partners with a substantial amount of business from firm to firm. While associates may believe they are being “exploited”, the real exploitation does not happen until partners get a lot of business. Then the law firm will start squeezing every penny it can out of the partner until the partner leaves. Partners will be paid as little as the law firm believes it can pay them until they leave. A partner with a few million in business may start at a new firm and be told that he or she will be paid \$600,000 a year when all is said and done. A few years later the partner may have \$3,000,000 in business and still be paid the same and given all sorts of reasons why the law firm cannot pay more. Or, the law firm may even cut the partner’s compensation! Over and over again partners end up feeling “screwed” and taken advantage of—and a lot of them are. My job is to find them homes where this does not occur. Navigating this is like navigating a mine field. Most law firms in this day and age are about money.

I cannot tell you how many attorneys I know who are in the practice of law for the wrong reasons and, accordingly, unhappy. The worth of an attorney should not just be measured in terms of money, but in terms of how the attorney feels about what he or she is doing, his or her colleagues, and his or her affinity for the practice of law.

See the following articles for more information:

- [Money Is the Dumbest Thing Any Attorney Should Focus on When Joining a Law Firm](#)
- [Never Focus on the Money: Focus on Your Higher Purpose and Contribution](#)

8. Attorneys Get a False Sense of Their Worth—the “Spoiled, Rich Child Syndrome”—That Often Takes Them Decades to Overcome

Former professional athletes, bands that are “one hit wonders” and others that experience initial success and then are “let down” often spend decades recovering from their initial “stardom” and trying to recapture their lost glory. The high salaries that attorneys receive early in their careers are often the most they will ever make (relative to inflation) in their entire careers. After a few (or several) years these attorneys learn that their true market value is far less than their “fictional” value inside of a law firm was when they were young.

From a psychological standpoint, many of these attorneys end up feeling like they have “failed” when they cannot keep up. They often drop out of the practice of law rather than take a lower salary, or take jobs that they do not believe are as prestigious as the ones they are leaving behind. It is very common for attorneys from New York City, in particular, to drop out of the practice of law after a few years in large New York law firms.

The problem with the initial high salaries that attorneys receive is mainly that the attorneys receiving these salaries have not earned these salaries, nor are they worth them:

- They have not yet proven themselves at anything other than taking law school exams and getting into law school.
- Their work ethic, perseverance and other important qualities inside of a law firm have not yet been tested.
- Their legal skills are not developed and no one even has any idea what type of attorneys they will be.
- They have not demonstrated loyalty inside of the law firm yet—and in fact are more likely than not to leave after a few years.
- They in most cases are not even profitable to the law firm yet.
- They may not be committed to their practice area or a law firm.
- In the majority of cases, working inside of a law firm is their first job.

While many of these attorneys will prove their worth inside of law firms and go on to have excellent careers, many will fail once the market realities of why they are being paid so much

catch up with them. Nevertheless, these attorneys will still believe that they are worth the ridiculous amounts they were paid relative to their worth early on.

Instead of earning their worth, they are plopped down into these highly paid environments and develop the belief that they have earned the right to practice at this level simply by virtue of their initial success getting these jobs. This incredible paradox often gives them the illusion of their own competence when they may not be the least bit suited to the practice of law.

See the following articles for more information:

- **[Narcissistic Entitlement Syndrome](#)**
- **[You Are Not Entitled to Anything](#)**

All of this results in what I call the “Spoiled Child Syndrome” that many young attorneys then experience. Spoiled children who are given everything they want when they are young—money, cars, clothes and more—often develop a sense of entitlement, do not work as hard as their peers and often fail and develop all sorts of problems later in life when the “real world” catches up with them. In fact, it is generally those from less privileged backgrounds who have the motivation to succeed. Giving a “child” everything early on in their lives often hurts them far more than it helps them.

When parents give a child everything they are often trying to prove something to themselves, or even other parents. They can show other parents that they are wealthy and successful through the things they do for their children. They can prove to themselves that they are successful through the things that they do for their children—because they certainly never had it so good. Parents spend all of this money on their children not to help their children, but to help themselves and their own self-esteem.

In the same way, when a law firm pays a young attorney far more than the attorney is worth the law firm is spending this money because it is trying to prove something to other law firms and itself.

“Look at what a big deal we are! Even though we only represent midsized and smaller companies we can afford to spend as much money on our new associates as Cravath does!”

“Hey, look over here! We do not even do corporate law! We do patent prosecution only! We too can afford to spend as much money on new associates as Cravath does!”

“You think you are special? We market ourselves as “budget litigators” who have billing rates of half of what other major law firms do and we are not even in a major city! We pay our new associates the same as well!”

From where I sit, I see generations of young attorneys who get into major law firms where they make these giant initial salaries and then expect that once they have been paid this much “this is what they are worth” in the market. Incredibly, rather than accept jobs that more adequately reflect their worth, these attorneys often refuse to work for less than anything than they are making if it involves practicing law. If they do accept such jobs, they often do so begrudgingly and expect to work less hard than they did in a large law firm. Others fail to commit fully to the position and this creates its own set of issues.

9. Law Firms Hold Back Paying More Senior Associates and Other Attorneys What They Are Worth and, Instead, Pay Them Far Less Than They Are Worth

Once an attorney has practiced for two or three years, it generally becomes pretty obvious to partners and their peers who “has it” and who does not. Some attorneys have excellent legal minds, are motivated and work hard, may have shown they are loyal, have a “knack” for getting things to consistently go their way and rarely need to have their hours “written down” by the law firm.

In an ideal “market economy” that functioned rationally, these attorneys would be paid a disproportionate amount compared to their peers, or new and junior associates. But in the fantasy world of law firms none of that matters. These attorneys may only make a small amount more than junior attorneys who have no idea what they are doing and are likely to leave, get fired, or not even be practicing law in a few years.

The “sweet spot” where law firms start making money from attorneys is generally after they have been practicing for around three years. This is the time when the law firm should really be jacking up the salaries—not when the attorney is just starting out. A more “rational approach” to salaries would be to pay junior associates about one-third, to half, of what a midlevel associate is paid and then after three years of practice or so elevate them if they look like they are going to make the cut. Under this approach, the salaries of third-year associate could even be “extreme” at some major law firms—perhaps three times what a starting associate currently makes (and what a starting associate currently makes would be about one third of what they currently make). With this sort of motivation, there would be far more commitment, on the job learning, money for those who have earned it, loyalty and search for competence among young associates than there otherwise would be. This is the sort of thing that happens with doctors with internships and residencies before they become fully paid doctors—a similar approach would provide far better results in the legal profession.

- **See [Top Ways for Law Firms to Increase Associate Satisfaction and Increase Associate Retention: What Law Firm Associates Really Want from Their Jobs](#) for more information.**



In smaller cities and less profitable law firms, the situation with salaries gets even more bizarre and almost punitive for the most profitable associates inside of law firms. In order to attract the best law students, these law firms will pay “market salaries” but then will increase the salaries of their associates until they become partner (or leave) by only five thousand dollars or so per year. The high junior associate salaries results in an almost “punitive approach” where the best and most profitable associates are paid a fraction of what they are worth.

Finally, there is what I call “the ultimate market paradox”—and this will amaze you—but I tell you this having observed it over and over again my entire career: Many law firms will actually pay their nonequity partner and counsel less than first-year associates! Yes, you read that right. Why do law firms do this? Because they can and because it is what these “older” attorneys are worth to them. This is incredibly common and something that a large number of law firms do—even some of the 200 largest law firms in the United States. I tell people this and they often do not believe me—but it is true and, in fact, when I am dealing with partners and counsel level attorneys I see this all the time.

“I cannot believe I am being offered a position that pays less than a first-year associate!” I have heard over and over again from partners, counsel and other experienced attorneys without substantial business.

10. Raising Salaries Does Not Fix Anything and Salaries Are Being Raised for No Reason Whatsoever

In 2000 the first law firm to raise salaries was Gunderson Dettmer in Silicon Valley. The salaries went from \$85,000 a year to \$120,000 a year. Back then attorneys were leaving this firm in droves to go to technology companies in-house and many were getting very wealthy doing so. This was all because of the “dot-com boom” and the venture capital money being poured recklessly into upstart companies in the hope of the “next big thing.” The wealth being created in Silicon Valley sent a message to the attorneys at Gunderson there that there were better opportunities elsewhere and, in order to hold on to its attorneys, Gunderson raised its salaries. Gunderson was in a unique role in the Silicon Valley ecosystem because it was primarily representing dot-com and technology companies. It had a real problem with people leaving for better opportunities and in order to stop this it had to do something.

Incredibly, despite the fact that this unique dynamic did not exist in New York City, Texas, Los Angeles, or even at most other Bay Area firms, other law firms throughout the country rapidly followed suit and raised salaries—and not because they had to in order to solve any pressing problems in the market.

Since Gunderson raised its salaries in 2000 there have been additional “salary wars” inside of law firms where their salaries have increased again and again. Each time this has occurred

there has been no real need for it. Cravath, for example, does not have any issues with mass defections. Salaries are increasing for basically no reason whatsoever.

A possible rationale for raising salaries might be inflation, but there has not been any inflation driving salary increases. Another possible rationale might be that the profession is very difficult for junior associates and others. This is actually not a bad explanation. However, raising salaries does not solve anything, and as we have seen above, it only makes conditions worse.

Conclusions

Attorneys who start their careers at smaller law firms that do not pay anywhere near the salaries of large law firms are generally still practicing law ten or twenty years out. I do not know why this is; however, I expect it has to do with the fact that if an attorney starts out at a smaller law firm the attorney is more likely to be nourished, grow into his or herself as an attorney at a reasonable pace and pay scale, and not feel as much pressure in all respects.

- **See [Does \(Firm\) Size Really Matter?](#) for more information.**

In contrast, attorneys who start out at large law firms with high salaries generally are not practicing law a few years out and are even more likely to not be in a law firm setting than attorneys who start out at smaller law firms that pay less. I have always thought that starting a career at a large law firm is like “front loading” your compensation and the money you earn to the beginning of your career. It is like getting the most money you will ever get, when you are not ready for it and have not earned it and then having it all taken away. Regardless of how talented an attorney is, or where the attorney went to law school, most attorneys who start out at large law firms will have their compensation “front loaded” into their first jobs and then see it all go away.

When salaries increase across the board, for a short period of time associates inside of law firms feel as if they have gotten a “victory” of sorts. Pride circulates among the “workers” inside of law firms. Law students getting ready to go into these law firms also get very excited and cannot believe their luck to have gone into such a lucrative and rewarding career. All of the “workers” inside of law firms believe their hard work inside of the law firm is finally being rewarded and their pride is palpable. Many of their parents and relatives who worked their entire lives never could have imagined how much money these young attorneys would make and they feel tremendous pride that these attorneys have “made it.”

In contrast to the “victory” that the “workers” feel in getting higher salaries, the “owners” of the law firms (i.e., equity partners) do not like it one bit.

- First, it ends up costing them more money out of their pockets and this makes them angry—so angry that they experience feelings that they need “revenge” for having to make this sacrifice and so forth.

- Second, to make up the extra money this is costing them they often need to pass on this cost increase to their clients in the form of higher billing rates, which is often difficult because clients often feel their billing rates are already too high.
- Third, to make their clients happy they need to give more work to junior associates (who have lower billing rates) and this often means that more senior associates are pushed out.
- Fourth, the higher salaries increase the vicious cycle of inhumane hours and so forth inside of law firms that create many of the problems with working in “big law” to begin with.

In an ordinary market, increasing salaries might be a sign of a healthy market and cause for optimism; however, the legal market is far from ordinary. High salaries generally create conditions that at first make things appear quite bright for current and future attorneys, but actually have the opposite effect. In fact, the small difference each salary bump has on an attorney’s paycheck is completely outweighed by the tremendous sorrow and difficult life and work conditions these salary increases ultimately have.

There is no doubt that certain attorneys after a few years of practice are likely to be worth even double of what the current salaries are right now—but spending money that does not need to be spent, on someone who has not yet proven his or her commitment or worth, is absolutely crazy and is at the heart of why practicing law in major law firms is so destructive to so many people and their careers.

See the following articles for more information:

- [**25 Reasons Most Attorneys Hate the Practice of Law and Go Crazy \(and What to Do about it\)**](#)
- [**What to Do If You Hate Your Attorney Job**](#)
- [**The Benefits of Avoiding the Large Law Firm**](#)
- [**Why You Should Quit Practicing Law**](#)
- [**Why You Should \(and Should Not\) Quit the Practice of Law**](#)
- [**Why Most Attorneys Are Unhappy**](#)
- [**Why Most Attorneys Are Angry**](#)

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