

THE FIRM

Associate Turnover Costs Temper 2022 Expectations

by Andrew Maloney

Last year was another “extraordinary” one for Big Law, with healthy demand growth and double-digit increases in profitability across the legal industry, according to a new report. But law firms are heading into 2022 with significant challenges over talent retention and costs.

Increased costs related to the war for talent across the industry, as well as high associate turnover, started to catch up with law firms last year, the authors of the 2022 State of the Legal Market Report from Thomson Reuters and Georgetown Law Center noted this week.

Indeed, while demand and head count at firms increased, associate turnover also spiked dramatically, causing the report authors to conclude that “recruiting and retaining both legal and other professional staff may well prove to be among the biggest post-pandemic challenges confronting law firms in 2022.”

Demand went up 4% across all segments from 2020 to 2021, and more than 70% of firms in each of the Am Law 100, the Second Hundred and midsize categories saw some level of demand growth, according to data collected by Thomson Reuters and the Georgetown Law Center, which published the report Tuesday.

More specifically, 38.3% of Am Law 100 firms, 32.1% of Second Hundred firms and 49.2% of midsize firms saw demand increase by more than 5% last year.

The report also found that firms in every segment saw double-digit profit gains, at least through November, with Am Law 100 firms posting a 13.4% increase, Second Hundred firms increasing by 12.2% and midsize firms seeing a 22.4% surge in profits over their 2020 mark.

The authors wrote that those gains mean firms are likely “well-positioned” for continued profit growth and should start this year in good financial shape, but they added there were factors beginning to tamp down on profitability.

Bill Josten, manager of enterprise legal content for Thomson Reuters, said in an interview that 2020 “set a really strong baseline” and that compensation costs associated with firms’ push for talent was one factor that cut into profit growth. Lawyer head count also increased about 3.9%, the highest level in more than a decade, according to the groups’ data.

“Law firms had a very strong 2021, though, there were certain factors starting to work against improved profitability,” Josten said, noting the increases in lawyer full-time equivalents, as well as inflated costs associated with the talent war. On that front, direct expenses increased a “whopping” 8.8%, according to the report, largely due to an 11.3% increase in associate compensation per full-time equivalent, a number that reached over 15% in Am Law 100 firms.

Still, “generally speaking, factors were still very positive. It wasn’t 2020



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rate growth, but certainly on par with normal rate growth, coupled with better realization,” Josten said.

The legal market report also found the associate turnover rate reached 23.2% on a rolling, 12-month basis through November, “significantly” above the 18.7% rate seen in November 2019. Jim Jones, director of the Georgetown University Law Center on Ethics and the Legal Profession and an author of the report, called that “alarming.”

“If you’re looking at losing a quarter of your associates every year, that’s extraordinary. And the costs of that are enormous, if you think about the cost of what you’ve invested in the associate in terms of training and experience,” he said in an interview.

At the very least, those numbers should lead to some reevaluation of firms’ approach to talent accumulation, the report stated.

“This data leads inevitably to the question of whether the approach to the talent war that is being taken by most firms is sustainable for the long term. In response to the fierce competition for talent, firms are spending huge amounts of money and putting their profits at increasing risk for fairly modest returns—at least if you consider the real costs of high levels of lawyer turnover,” the authors wrote.

Jones said paying more money to associates and other talent is necessary, to some extent. But he added that many firms are also implementing programs that are less-directly related to economics—such as counseling and studying how best to implement hybrid work.

The report found there is something of an “emerging consensus” that firms will require around three days a week of in-office work for most of their lawyers. But Josten noted that is “potentially subject to change.”

Andrew Maloney covers the business of law, focusing on national and global law firms for ALM affiliates of the Daily Business Review. Contact him at amaloney@alm.com.



CITY OF DORAL NOTICE OF PUBLIC HEARING

All residents, property owners and other interested parties are hereby notified of a **LOCAL PLANNING AGENCY (LPA)** meeting on **January 26, 2022 beginning at 5:30 PM** to consider an amendment to the City’s Land Development Code, Chapter 74, “Miscellaneous and Supplementary Regulations,” to revise alcoholic beverage regulations. The meeting will be held at the **City of Doral, Government Center, Council Chambers located at 8401 NW 53rd Terrace, Doral, Florida, 33166.**

The City of Doral proposes to adopt the following Resolution:

RESOLUTION No. 22-

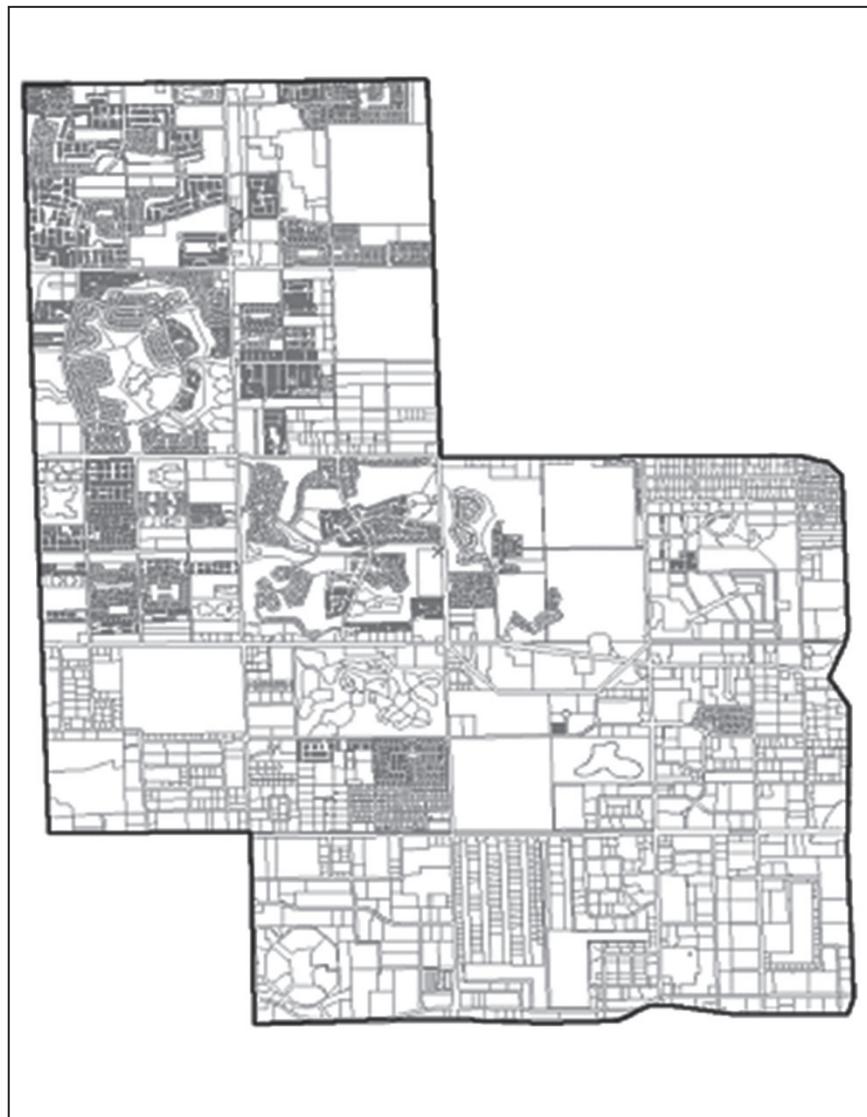
A RESOLUTION OF THE MAYOR AND THE CITY COUNCIL OF THE CITY OF DORAL, FLORIDA, SITTING AS THE LOCAL PLANNING AGENCY, RECOMMENDING APPROVAL/DENIAL OF, OR GOING FORWARD WITHOUT A RECOMMENDATION TO THE LOCAL GOVERNING BODY A TEXT AMENDMENT TO THE CITY OF DORAL LAND DEVELOPMENT CODE, CHAPTER 74, “MISCELLANEOUS AND SUPPLEMENTARY REGULATIONS,” ARTICLE IV, “ALCOHOLIC BEVERAGES,” TO REVISE ALCOHOLIC BEVERAGE REGULATIONS; AND PROVIDING FOR AN EFFECTIVE DATE

HEARING NO.: 22-01-DOR-02

APPLICANT: City of Doral

REQUEST: The City Manager’s Office respectfully recommends that the Mayor and City Councilmembers approve an amendment to the City’s Land Development Code modifying Chapter 74, “Miscellaneous and Supplementary Regulations,” Article IV, “Alcoholic Beverages,” to revise alcoholic beverage regulations.

Location Map



Inquiries regarding the item may be directed to the Planning and Zoning Department at 305-59-DORAL.

Pursuant to Section 286.0105, Florida Statutes If a person decides to appeal any decisions made by the City Council with respect to any matter considered at such meeting or hearing, they will need a record of the proceedings and, for such purpose, may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based. This notice does not constitute consent by the City for introduction or admission of otherwise inadmissible or irrelevant evidence, nor does it authorize challenges or appeals not otherwise allowed by law. In accordance with the Americans with Disabilities Act, any person who are disabled and who need special accommodations to participate in this meeting because of that disability should contact the Planning and Zoning Department at 305-59-DORAL no later than three (3) business days prior to the proceeding.

Connie Diaz, MMC
City Clerk
City of Doral