

Bay Area law firms scuttle for salary hikes

Starting pay for fresh lawyers hits the \$160,000 figure; the region competes with NY salaries!

By Amit Agarwal



For the second time this year, Orrick, Herrington & Sutcliffe and O'Melveny & Myers have hiked first-year associates' salaries in the Bay Area. The firms' offices will now pay first-year associates' up to \$160,000, competing with salaries of fresh lawyers at top NYC law firms.

The salary inflation was kick-started by New York's Simpson Thacher, when it raised first-year salaries by \$15,000 earlier this year. At that time, a number of Bay area firms, including Orrick and O'Melveny, escalated first-year pays from \$135,000 to \$145,000. Only a few smaller California firms with higher revenues, like Quinn Emanuel Urquhart Oliver & Hedges and Kecker & Van Nest, raised salaries to \$160,000.

This is the third time since 2005 that Bay Area firms have witnessed a hike in associate salaries. Before that, the pays had remained static for almost six years.

Analysts predict other law firms in the region will follow suit.

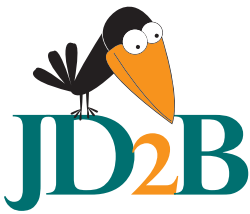
If one considers the Bay Area as the financial hub of the West Coast, the hikes may be justified. But can Bay Area law firms compete with those in New York, especially when some of the latter are boasting per-partner profits in excess of \$1 million?

Considering the volume of their business and work, NY firms can obviously afford the hikes.

Large firms like the Orricks and the O'Melvenys can also cope with big salaries if they recruit the best fresh brains for their Bay Area offices. Boutique firms may stay in the competition by hiking salaries of specialist lawyers who provide them with rare practices.

The hardest hit would strike upon the region's mid-sized law firms. Raising salaries of first-year associates in mid-sized law firms would mean pinching the pockets of partners, whose pay is based on the firm's performance.

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The salary hike does not end here. Corporate clients today do not want to risk paying huge sums for the services of a greenhorn lawyer. Moreover, according to the National Association for Law Placement, the attrition rate for associates is pretty steep. Statistics suggest that 37 % of associates depart from their law firms within the span of three years. That means the lawyers leave even before the law firms get a decent return on their investments.

However, not all students will rush for such lucrative offers. Today, a number of students from top law schools are looking for a balanced work- and personal- life. They realize that smart salaries come crazy billable hours and a stressful work environment. A team of students from our nation's top law schools has even organized a group called Law Students Building a Better Legal Profession.