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Associate-Raise Party Has Its Holdouts

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In the early 20th century, a horse-drawn wagon, oftentimes carrying a musical band, led parades and political rallies. If you were behind it, you had "jumped on."

There are no wagons with bands today. But there are still bandwagons, and the one that's rolled through the legal marketplace in recent weeks is emblazoned "Associate Salary Pay."

It started in Los Angeles and gathered speed last month, as firms large and small in California and outside raised starting associate pay to \$135,000.

But some firms have yet to make the leap.

In response to inquiries, two holdouts -- Pillsbury Winthrop Shaw Pittman and Thelen Reid & Priest -- promise announcements soon, saying the situation has required a lot of study.

Littler Mendelson, on the other hand, sees just saying no as a no-brainer: "We are not a corporate securities firm, and we are not pricing ourselves as a corporate securities firm," Marko Mrkonich, Littler's managing director and president, said Monday.

It announced base pay raises for first-year associates last fall effective Jan. 1. First-years went to \$120,000, a \$5,000 or \$10,000 bump depending on the market.

Irell & Manella and Quinn Emanuel Urquhart Oliver & Hedges first announced pay increases way back in September, followed by major Los Angeles firms in the last several weeks. Kecker and Wilson Sonsini became the first Bay Area firms to meet those raises -- in January. Within weeks, a string of other firms followed.

But there wasn't a peep out of Pillsbury or Thelen.

On Monday, Pillsbury Winthrop's vice chairman, Stephen Huttler, called for patience.

"We are still evaluating because we are a national firm [with many markets to analyze]," Huttler said. "We expect to make a decision later this week."

Asked if the firm expected to raise at least in some markets, Huttler replied, "Definitely."

At Thelen, Chairman Stephen O'Neal would only say, "We are going to announce our determination on 2006 salaries this week."

Arguably, Thelen can better afford it. Revenue per lawyer at the firm was up 22 percent last year, to \$710,000, and profits per partner were up a wagon-rolling 44 percent.

Expectations may be more muted at Pillsbury, which, after merging with Shaw Pittman, saw revenue per lawyer and profits per partner remain essentially flat. Thelen, in fact, overtook Pillsbury in both measures.

O'Neal said the decision at Thelen was taking some time because, "We don't make any economic decision without making sure that we understand the particulars, the appropriate policy direction and the indicated outcome that is in the best interest of the firm and our client. And one doesn't do that overnight."

Indeed, the wave of pay hikes since Irell and Quinn Emanuel first made their announcements has crested slowly.

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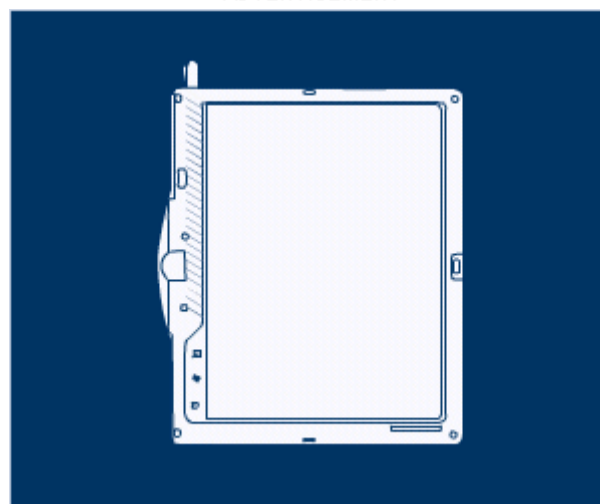
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"It's like the avian flu," quipped consultant Peter Zeughauser. "It's not catching on as fast as people thought it would."

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"Usually it takes a few weeks before the major national firms move," he added. "And [the firms this time around] are not moving in unison."

The slowest to move have been the large national firms with offices in multiple markets.

Bingham McCutchen finally increased base pay for associates firmwide last week in line with the raises initiated by the big L.A. firms. First-years now make \$135,000, second-years \$140,000 and seventh-years \$200,000.

Morgan, Lewis & Bockius raised first-year base pay to \$135,000 for all California associates on Monday. The firm is still deliberating how to handle increases in other years.

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