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Study: Location, Firm Size Key to Billing Rates

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The September issue of *The American Lawyer* offers a preview of the Real Rate Report, a study produced by CT TyMetrix Inc., a company that audits law firm bills, and The Corporate Executive Board Co., a company that provides best practices research and analysis. They studied the bills sent to 36 large corporate clients between 2007 and 2009 - more than \$4 billion worth of time sheets submitted by 90,000 people at 3,500 firms. They scrubbed the data to protect the identity of the billers and the billed. Then they got to work crunching the numbers.

A lot of interesting statistics jump out. For starters, legal bills increased at rates that exceeded inflation, in-house lawyers who spent more at a particular law firm were not getting any discounts, and partner status added nearly \$100 on average to a lawyer's rate regardless of experience.

But what most struck us about the report was its portrayal of an industry fraught with inconsistency. The vast majority of lawyers -- 85 percent -- charge clients different rates for the same work. The location of the biller and the size of the biller's firm -- not the biller's experience -- are the variables that most influence how much a client will pay. And though in-house counsel talk a good game about keeping rates in check, they approve almost three-fourths of all timekeepers' rate hikes.

Take note. Your clients likely already have. Among the noteworthy items (click on the graphic for an expanded view):

NO Volume Discount

Think twice about trimming your pool of approved legal providers. Companies that spent up to \$500,000 at a particular firm paid an average of \$255/hour. But those that spent \$5–10 million and **had leverage and bargaining power. . . paid almost twice as much—\$477/hour.**

Age Before Beauty

Hidden costs, not very well hidden. **Associate costs rose 17%** between 2007 and 2009. Partner rates rose only 9% in the same time period.

Deflation It Ain't

18% of lawyers **increased their billing rate by more than \$100** between 2007 and 2009.

A Privileged Few

Somewhere in this country, there is a fourth-year regulatory and government **associate who bills at nearly \$750/hour**, and there are two first-year litigation associates who bill at nearly \$650/hour.

When There's No Work to Do . . .

Raise your rates! **M&A lawyers raised their rates 19%**, to \$560/hour, a bigger increase than in any other practice area.

Are There Fewer Lawyers?

Most things that companies buy cost 40% more than they did ten years ago. **An hour of legal time costs 65% more**, and the average partner charges about \$500/hour.

Nouveau Riche

Rates were up 21% in Dallas, Atlanta, and Richmond, while rates in New York, Chicago, and Los Angeles climbed at the (relatively) slow pace of only 14%.

Partner Material

Two lawyers with 10 years of experience. One is called "partner," one is not. **The difference? About \$100/hour.**

Gold Collar

Law firm rates have risen at a pace **more than double the increase in white-collar wages.**

Pushback? What Pushback?

In-house counsel approved **rate increases for nearly 75% of timekeepers.**

The New South

Rates in the South **rose 15 percent**, more than any other region.

After The Flood

New Orleans was the least expensive market measured in the report. Partners in the Big Easy **billed \$400 less than those in New York.**

Talk Is Cheap

83% of lawyers categorized as inexpensive relative to experience by the report were litigation partners.

Everybody's Doing It

85% of lawyers billed different Rates for similar types of work.

Big Firm, Big Bill

The median partner rates at firms with between 101 and 250 and those with 251 lawyers to 500 lawyers were virtually the same—\$400 and \$400.62 respectively. But at firms with 501 to 1,000 the number ballooned to \$595 and at **mega-firms with more than 1,000 lawyers the median was \$645.**

Hold the Depositions

In labor and employment litigation, **depositions tended to be the most expensive of the bill**, expert discovery tended to be the least.

This article first appeared on [The Am Law Daily](#) blog on AmericanLawyer.com.

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Corporate Counsel, May 26, 2010