



# A New Start to **STAFFING**

**A LOOK AT HOW THE ECONOMY'S DECLINE CHANGED  
THE LEGAL HIRING LANDSCAPE – AND WHERE LAW FIRM  
MANAGERS GO FROM HERE**

BY ERIN BRERETON

By many accounts, 2006 was a lucky year for candidates looking for a legal industry job. The majority of 2006 law school graduates – 91 percent of grads for whom employment status was known – had jobs as of February 2007. At firms of more than 500 attorneys, first-year associate salaries had increased by \$10,000 to \$135,000, according to a survey conducted by NALP (The Association for Legal Career Professionals). However, 2007 and the years that followed were a different story.

A 2007 *Wall Street Journal* article noted that, while from 1970 to 1987 the legal industry had more than tripled in inflation-adjusted growth, by 2007 many recent law school grads were having trouble finding jobs. Students weren't the only ones struggling. Between December 2007 and December 2008, the U.S. legal sector shed 7,000 positions, according to Bureau of Labor Statistics data. As the overall economy wavered, declined and then fully faltered, many law firms began drastically reducing the size of their staffs. Firms cut back on summer associate programs, held off on hiring recent law school graduates and deferred new associate start dates. The Recession was having a dramatic effect on the legal industry – and many wondered when the spending cuts and firm layoffs would end.



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### **READY TO REBUILD**

From May 2009 to spring 2010, more than 22,200 legal jobs disappeared. But then, in May 2010, according to Bureau of Labor Statistics data, the legal realm suddenly gained 300 jobs – marking what many in the industry proclaimed to be the beginning of a turnaround. Recovery, however, was not immediate. Throughout 2010, the industry still occasionally lost jobs; the legal industry has also struggled to add new positions in 2011. Yet now, the Bureau of Labor Statistics is forecasting that the industry will add 188,400 new jobs by 2018 – 98,500 of which will be attorney positions and 74,100 jobs for paralegals and legal assistants. With an anticipated growth rate of 15 percent, the legal industry is expected to grow faster than the average for all occupations in the U.S. economy.

The anticipated rise is good news for current job candidates. “There will be a real shortage of associates from the mid-level down,” said Alan Rubenstein, Executive Vice President of legal staffing firm Chicago Legal Search. “I expect to see a really signaled increase in lateral hiring because of the depth of the cuts during the heart of the Recession, which were far deeper than we’ve seen in previous Recessions.” As firms begin to book both new clients and new business, they will undoubtedly need to add new associates, partners and support staff. However, the effects of the Recession are, in many ways, still being felt. As a result of the recent economic struggles, the way firms are finding job candidates – and determining how many and what kind to hire – has changed significantly.

### **YOUNG ASSOCIATES: STILL STRUGGLING**

At many firms, summer programs were one of the most notable Recessionary casualties. The median summer class size shrunk in 2010 to just four students, after having held steady at about six

since 2001, according to NALP. However, evidence suggests summer programs are starting to recover. Fewer than 5 percent of offices reported that they did not plan to have a summer program in 2011. Buchanan Ingersoll & Rooney, a firm with more than 450 attorneys and government relations professionals in more than a dozen U.S. offices, initially reduced the size of its summer program when the economy declined. The reductions were done in part to be fair to summer candidates, according to hiring/recruiting director Laurie Lenigan. “We wanted to be sure they all get an offer if they did well so we didn’t make it a competition,” Lenigan said.

According to Lisa Lemke, a placement coordinator at Counsel On Call, the largest concentration of job seekers she’s seen are ones freshly out of law school. “We continue to be impacted by the shrinkage of summer associate classes,” Lemke said. “And associates lucky enough to get jobs were often deferred. I’d say grads who are one or two years out were probably the hardest hit.”

One job-seeking sector that may be recovering fairly quickly: More senior attorneys. “That attorney with eight to 10 years of experience who is maybe a nonequity partner or doesn’t have the threshold of business to make the equity partner track – those folks are often on the move in this economy,” Lemke said.

### **LACK OF QUALIFIED INCOMING CANDIDATES**

Although many young associates may still currently be searching for jobs, some industry experts predict the recent reductions in summer associates and first-year hires may cause staffing gaps in the near future. In addition to slicing the size of their summer program, many organizations also opted to pull back on hiring recent law school grads. Twelve percent of 2009 graduates weren’t employed as of May 2010,



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according to NALP data released last year. Further, many associates found their first post-law-school job – and subsequent job experience and training – was delayed. Between 3,200 and 3,700 graduates reported their law firm start dates had been deferred beyond December 1, 2009, according to NALP research. The result: Potential lack of associates with a few years' experience under their belts. "There weren't a lot of firms two to three years ago bringing in people to train and develop them," Rubenstein said. "What I see as a potential issue in the next year or two, when firms are starting to look for those junior or mid-level people in certain practice areas, those people are not going to exist."

#### THE CHANGING FACE OF JOB LENGTHS

During the Recession, when the market was flooded with qualified candidates, in many cases, the supply far exceeded the job demand. Rubenstein's company encouraged jobseekers it worked with to consider alternate options. "We always try to do our best to counsel lawyers and really talk to them about positions in short-term, temporary or contract positions, or nonlegal positions," Rubenstein said. Now that the economy is on the rise, Rubenstein said many firms are looking for full-time associates. Lemke's company, however, has seen some firms switch to models where they hire staff attorneys, as opposed to full-fledged associates on a partner track, which she said some attorneys prefer. "There are some benefits to that for people: A lower billable target, flexibility in terms of part-time schedules," Lemke said.

#### CHANGING CLIENT NEEDS

At many firms, client needs are playing a larger role in the hiring process. "Historically, we'd say, 'I think I'm going to need X amount of attorneys a year from now,'" said Tracie Gliozzi, Buchanan Ingersoll & Rooney's Communications Director. "Now, it's

based on what they clients are doing now, [seeing] that we'll need help in an area based on those needs." Pricing also plays a part in firm staffing decisions.

"Initially, you did hear some clients who were reticent to be paying firms to have younger, less experienced associates doing their work," Rubenstein said. "We're starting to see that fade somewhat now." The reason? As companies emerge from the Recession, many clients are happy to get more bank for their buck. "The work can be done at more cost-effective rate," Rubenstein said. "Companies are open to it as long as they feel they're getting value and the work is being done efficiently."

"We're doing a lot of recruiting at the junior associate level for our energy practice group because there is a lot of abstract work – reviewing leases, etc. – and it's cost-effective," Lenigan said.

#### NEW LANDSCAPE, NEW COMPENSATION MODEL

Some firms have changed how they're being compensated by clients, switching from billable hours to alternate fee arrangements. Many firms have also altered the way they compensate attorneys. As firms work to cope with often still-reduced profits and efforts to reduce operational expenses, some have opted to offer bonus opportunities instead of gigantic salaries or salary increases.

In fact, the median bonus level rose 10.2 percent from 2009 to 2010, according to legal consultant Hildebrandt Baker Robbins's 2010 Law Department Survey. Not every firm is offering hefty work-based bonuses, however.

"A number of firms changed their compensation systems to some degree, going to a merit-based system or ranking associates by tier, as opposed to a more triadic lockstep approach with a bonus that would generally reward better performing associates," Rubenstein said.



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Yet firms that move to a more subjective system may run the risk of alienating associates who feel compared to other associates, according to Rubenstein. "Firms need to be careful about how they're managing their compensation system; it just gives associates another reason to potentially be unhappy and think about making a lateral move," he said. Which, as the economy strengthens, could become a real risk.

"Our corporate clients are somewhat resistant to doing [that kind of compensation system]," Lemke said. "A lot of attorneys are long-sighted enough to see that when the market improves, if you're underpaying for skill level, those people are just going to go find another job."

#### **METERED GROWTH IS STILL NECESSARY**

Signs indicate the industry is poised for recovery: In March 2011, 29 percent of attorneys reported plans to add legal staff in the coming months; none reported planned personnel reductions, according to the Robert Half Legal Hiring Index. In fact, 81 percent of attorneys said they felt at least somewhat confident in their company's ability to grow in the second quarter.

The economy, and industry, may be improving, yet some of the more cautious hiring and staffing practices that firms have employed in recent years may still prove effective. During boom times, law firms sometimes find themselves in a hiring frenzy. "We've heard several times that we aren't growing just for growth's sake. It has to be the right fit, not just, 'We need someone in litigation,'" said Gliozzi. "Before, it was probably more, 'The firm needs to add 10 associates' and was much quicker than more focused."

In the past 20 years, Rubenstein said he's seen firms tend to overreact in good times and in bad. "Law firms historically have not done the greatest job from a business perspective in terms of managing hiring," he said. "In the healthier markets, they've gone nuts with lateral hiring and summer classes and during Recessions have cut very deep."

Economic downturn-era layoffs will save some quick cash, but they can cost a firm later. "When the economy starts to rebound, firms find they're too short-staffed to take full advantage of client opportunities, which can be avoided if they maintain steadier approaches to hiring that's not as purely reactive and based on the economy," Rubenstein said.

Finally, when it comes to interviewing and job searching, one piece of traditional advice still holds true: Make sure the candidate is a good match for your firm – and that your firm is a good match for the candidate. "You want candidates to feel like it's a great fit for them," Lenigan said. "Or in a year, they may be looking somewhere else." ✱

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