



The State of the Legal Economy and the Legal Employment Market

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April 30, 2010

The National Economy

- The Great Recession of 2008-2009
- 8.4 million jobs lost since December 2007
 - most job losses since the Great Depression
- Unemployment peaked at 10.2% October 2009, and now stands at 9.7% (March 2010)
- Monthly job losses mixed with small gains
- Uncertain economic recovery underway?
- US GDP rose 5.7% in 4th quarter of 2009
- Dow crested 11,000, up from 7,000 one year ago

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The Legal Economy: Jobs

- 42,700 legal sector jobs lost between December 1, 2008 and December 1, 2009
- 2,100 legal sector jobs lost in December 2009
- 1,100 legal sector jobs lost in January 2010
- 100 legal sector jobs lost in February 2010
- 500 legal sector jobs lost in March 2010
- “Big Law” layoffs concentrated in early 2009
- Over 12,000 people laid off at the 138 largest firms
 - 4,633 lawyers and 7,563 staff members

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The Legal Economy: Law Firm Financial Picture

- Managing partners expressing cautious optimism about revenue, staffing for 2010
(Citi Private Bank Survey)
- Law firms have significantly reduced expenses
- As a result, many firms posted lower revenues but higher profits, for 2009 compared to 2008
- Law firms sitting on excess space, real estate
- Some smaller and mid-sized firms thriving and even growing during recession

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The Legal Economy: Law Firm Financial Picture

- Clients push for efficiencies, predictability
- Billing rates expected to rise, but clients continue to ask for alternative fee arrangements and steep discounts
- Practice growth expected in bankruptcy, regulatory, commercial contracts, health care, and international areas
(Hildebrandt International Survey)

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Law School Grads Face Tough Job Market

- Job market for law graduates remains very difficult in all job sectors
- Federal clerkship applications hit record level; apps from alumni exceed those from students
- State court clerkships limited by incumbent clerks
- Public interest hiring limited by funding crisis, deferred students occupying seats
- Non-legal job market also tough

**The Legal Economy:
Hiring & Compensation**

- Entry-level market remains uncertain
- Some deferred associates (2009 grads) called back early, others remain deferred indefinitely
- Some deferred offers have been rescinded
- Many 2010 grads received offers without start dates or starting salaries (deferrals expected)
- Smaller summer classes anticipated as leverage model changes
- 2009 saw decrease in partnership promotions

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**The Legal Economy:
Hiring & Compensation**

- Following salary freezes, decreases, some firms announced raises and 2009 year-end bonuses
- Lateral market warming up in some geographies and practice areas (e.g., Silicon Valley & IP)
- Increasing number of firms announce movement from lockstep to levels or merit-based compensation and advancement models

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Law Students and Law Schools

- Applications to all graduate & professional programs rise with recession, including law
- LSAT test-takers up 20% in 2009
- New law schools continue to open & seek ABA accreditation (200 and counting)
- College and university endowments suffered large losses in the last fiscal year
- Law school budgets compromised, spending limited, travel authorization difficult

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NALP Roundtables on the Future of Lawyer Hiring, Development, and Advancement

- Law firm partners, law school deans, legal recruiting, training and counseling professionals, scholars, and in-house counsel have come together for four moderated panel discussions about some of the crucial issues facing the industry today.
- Transcripts, video and audio files available at <http://www.nalp.org/futureoflawyerhiring>

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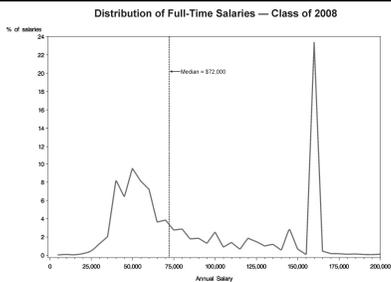
Legal Employment Market

Employment Rate Nine Months after Graduation

Class of 2008:	89.9%
Class of 2007:	91.9%
Class of 2006:	90.7%
Class of 2005:	89.6%
Class of 2004:	88.9%
Class of 2003:	88.9%
Class of 2002:	89.0%
Class of 2001:	90.0%
Class of 2000:	91.5%
Class of 1999:	90.3%
Class of 1998:	89.9%

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What Law Grads Really Earn



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Deferrals of 2009 Summer Associates as Reported by Law Firms

Offices reporting the deferral of at least one summer associate for a post-graduate start date beyond December 1, 2009

<u>Firm Size</u>	<u>% Deferring Associates</u>
100 or fewer	13%
101-250	35%
251-500	73%
501-700	30%
<u>701 or more</u>	<u>67%</u>
Total	52%

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Deferrals of 2009 Summer Associates as Reported by Law Firms

Class of 2009 graduates who accepted their offers from 2008 summer programs and were then deferred beyond December 1st, as reported by the law firms

<u>Firm Size</u>	<u>% of Associates Deferred</u>	
100 or fewer	16%	
101-250	30%	
251-500	48%	*Percent deferred based on all firms responding, including those that did not defer any associates.
501-700	35%	
<u>701 or more</u>	<u>61%</u>	
All Employers	52%*	

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Deferrals of 2009 Summer Associates as Reported by Law Firms

Class of 2009 graduates who accepted their offers from 2008 summer programs and were then deferred beyond December 1st, as reported by the law firms

<u>Firm Size</u>	<u>Median #</u>	<u>Average #</u>
100 or fewer	3	3
101-250	4	5
251-500	5	8
501-700	8	18
<u>701 or more</u>	<u>6</u>	<u>14</u>
Total	5	12

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Deferrals of 2009 Summer Associates as Reported by Law Firms

Status during deferral period

Firm Size	% Working	% Not Working	Unknown
100 or fewer	50%	31%	19%
101-250	54%	31%	15%
251-500	36%	28%	37%
501-700	17%	2%	82%
701 or more	51%	12%	37%
Total	46%	15%	39%

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Deferrals of 2009 Summer Associates as Reported by Law Firms

Work setting for those working

Firm Size	% Pub Int	% Gov't	% Corp/Client	%Other
100 or fewer	63%	25%	0%	13%
101-250	10%	33%	25%	33%
251-500	40%	21%	13%	26%
501-700	43%	10%	19%	29%
701 or more	48%	21%	10%	22%
Total	45%	21%	11%	23%

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Deferrals of 2009 Graduates as Reported by Law Schools

School Size	% with Deferrals	Median #	Average #
< 550	71%	3	4
550-750	87%	8	19
751-1,000	92%	14	28
≥ 1,000	100%	23	62
Total	85%	7	24

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Deferrals of 2009 Graduates as Reported by Law Schools

School Size	Total Number Deferred
< 550	121
550-750	618
751-1,000	635
≥ 1,000	1,060
Total	2,434*

*Results based on responses from 127 schools, suggesting there were somewhere between 3,200 and 3,700 total graduates deferred from all of the 200 ABA law schools.

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Deferrals of 2009 Graduates as Reported by Law Schools

Activity during deferral period

School Size	Working	Volunteer	Neither	Unknown
< 550	62%	3%	9%	26%
550-750	32%	4%	14%	50%
751-1,000	13%	4%	3%	80%
≥ 1,000	12%	2%	1%	85%
Total	20%	3%	5%	72%

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Law School Response to Recession

What programs did law schools implement
as a result of the economic downturn?

- | | |
|---|-----|
| 1. Created or provided on-campus post-graduate jobs: | 42% |
| 2. Increased the number of public interest fellowships: | 31% |
| 3. Provided financial assistance for bar exam related expenses: | 12% |
| 4. Extended access to student health benefits to recent grads: | 12% |
| 5. Expanded LRAP eligibility/increased LRAP benefits: | 9% |
| 6. Provided emergency loans otherwise not available: | 5% |

Figures based on 119 schools that completed this section of the survey.

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Outcomes of Summer Programs

Entry Level Offer and Acceptance Rates

<u>Offer Rate</u>	<u>Acceptance Rate</u>
69% in 2009	85% in 2009
90% in 2008	80% in 2008
93% in 2007	77% in 2007
93% in 2006	75% in 2006
91% in 2005	73% in 2005
91% in 2004	72% in 2004
87% in 2003	77% in 2003
81% in 2002	74% in 2002

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Summer Program Length

Most Summer Programs Were Shorter in 2009

Summer Program Length in 2009 Compared with 2008

Firm Size	Decrease of more than 2 weeks	Decrease of 1 or 2 weeks	No Change
701 or more	19%	54%	26%
501-700	14%	50%	32%
251-500	30%	41%	22%
101-250	25%	33%	40%
100 or fewer	14%	28%	53%
All Employers	21%	45%	32%

Note: Percentages do not add to 100 because a few offices increased the length of their program.

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Summer Program Length

Most Summer Programs Were Shorter in 2009

Summer Program Length in 2009 Compared with 2008

NALP Region	Decrease of more than 2 weeks	Decrease of 1 or 2 weeks	No Change
MA	25%	47%	27%
NE	23%	51%	23%
MW	19%	46%	36%
WRM	17%	53%	27%
SE	17%	30%	46%
All Employers	21%	45%	32%

Note: Percentages do not add to 100 because a few offices increased the length of their program.

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Fall Recruiting Outcomes for the Class of 2010 (Current 3Ls)

Number of Employers Recruiting 3Ls

3% in 2009

25% in 2008

42% in 2007

53% in 2006

42% in 2005

31% in 2004

34% in 2003

25% in 2002

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Fall Recruiting Outcomes for the Class of 2011 (Current 2Ls)

OCI Benchmarks

Percent of callbacks resulting in offers

2007: 60% 2008: 47% 2009: 37%

Median # of offers per firm, at firms of 701+

2007: 30 2008: 18.5 2009: 8

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Fall Recruiting Outcomes for the Class of 2011 (Current 2Ls)

Median Number of Offers Extended

Firm Size	2009	2008	2007
701+	8	18.5	30
501-700	19	11	16
251-500	9	8	19
101-250	6	12	17
100 or fewer	4	4	4
All Employers	7	10	15

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Fall Recruiting Outcomes for the Class of 2011 (Current 2Ls)

Callback Interviews Resulting in Offers	Offer Acceptance Rate
37% in 2009	43% in 2009
47% in 2008	33% in 2008
60% in 2007	29% in 2007
62% in 2006	29% in 2006
60% in 2005	31% in 2005
57% in 2004	31% in 2004
53% in 2003	31% in 2003
50% in 2002	35% in 2002

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Fall Recruiting Outcomes for the Class of 2011 (Current 2Ls)

Nationwide, **17%** of law firm offices that had a summer program in 2009 say they will not have one in 2010.

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Fall Recruiting Outcomes for the Class of 2011 (Current 2Ls)

Percent of law firm offices that will have **no summer program** in 2010 after having a program in 2009, by firm size

100 or fewer	19%
101 - 250	6%
251 - 500	11%
501 – 700	14%
701 or more	22%

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Fall Recruiting Outcomes for the Class of 2011 (Current 2Ls)

Percent of law firm offices that will have **no summer program** in 2010 after having a program in 2009, by NALP region

Southeast	24%
Mid-Atlantic	18%
West/Rocky Mountain	16%
Northeast	13%
Midwest	10%

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National Fall On-Campus Recruiting Levels

2009 Trends As Reported by Law Schools

Number of Employers on Campus Compared to Previous Year

Decrease of 40% or more:	23%
Decrease of 30-40%:	32%
Decrease of 5-29%:	38%
Decrease of < 5% or Increase:	8%

Number of schools reporting: 133

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Regional Fall On-Campus Recruiting Levels

2009 Trends As Reported by Law Schools

Number of Employers on Campus Compared to Previous Year

Percent of schools reporting a decrease of **30% or more**, by region:

Mid-Atlantic	70%
West/Rocky Mountain	65%
Midwest	53%
Southeast	53%
Northeast	43%

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**Regional Fall On-Campus Recruiting Levels
2009 Trends As Reported by Law Schools**

Number of Employers on Campus
Compared to Previous Year
Percent of schools reporting a decrease
of **30% or more**, by school size:

< 550	42%
550-750	55%
751-1,000	65%
>1,000	62%

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**National Fall On-Campus Recruiting Levels
2009 Trends As Reported by Employers**

Number of schools visited: Percent of offices reporting a decrease
in campus visits from previous year

• 2009	78%
• 2008	39%
• 2007	21%
• 2006	22%
• 2005	26%
• 2004	25%
• 2003	30%
• 2002	36%

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**Regional Fall On-Campus Recruiting Levels
2009 Trends As Reported by Employers**

Number of Schools Visited by Firms Compared to 2008

<u>Region</u>	<u>Decrease of 40% or more</u>	<u>Decrease of 1-39%</u>	<u>No change or Increase</u>
West/Rocky Mountain	57%	18%	25%
Mid-Atlantic	55%	25%	20%
Midwest	53%	22%	24%
Southeast	47%	28%	25%
Northeast	45%	41%	14%

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**City Fall On-Campus Recruiting Levels
2009 Trends As Reported by Employers**

Number of Schools Visited by Firms Compared to 2008

<u>City</u>	<u>Decrease of 40% or more</u>	<u>Decrease of 1-39%</u>	<u>No change or Increase</u>
Chicago	87%	7%	7%
Philadelphia	80%	20%	0%
Atlanta	75%	13%	13%
Washington DC	55%	26%	20%
New York	53%	37%	10%
Miami	29%	29%	43%
Boston	0%	63%	38%

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**City Fall On-Campus Recruiting Levels
2009 Trends As Reported by Employers**

Number of Schools Visited by Firms Compared to 2008

<u>City</u>	<u>Decrease of 40% or more</u>	<u>Decrease of 1-39%</u>	<u>No change or Increase</u>
San Francisco	67%	25%	8%
Los Angeles	64%	21%	14%
Houston	57%	43%	0%
San Jose	57%	29%	14%
Dallas	50%	33%	17%
Minneapolis	44%	33%	22%

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**Regional Fall On-Campus Recruiting Levels
2009 Trends As Reported by Employers**

Percent of law firm offices that visited **NO** schools in 2009 having visited at least one school in 2008, by region

All Employers:	20%
West/Rocky Mountain	29%
Southeast	26%
Mid-Atlantic	22%
Midwest	14%
Northeast	9%

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**City Fall On-Campus Recruiting Levels
2009 Trends As Reported by Employers**

Percent of law firm offices that visited **NO** schools in 2009 having visited at least one school in 2008, by city

Philadelphia	60%
Atlanta	50%
Minneapolis	33%
Dallas	33%
San Francisco	33%
San Jose	29%
Houston	29%

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**City Fall On-Campus Recruiting Levels
2009 Trends As Reported by Employers**

Percent of law firm offices that visited **NO** schools in 2009 having visited at least one school in 2008, by city

(continued)

Chicago	20%
Washington DC	19%
Miami	14%
New York City	13%
Los Angeles	13%

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Lateral Hiring Volume

Decrease in number of lateral lawyers hired from 2008 to 2009, by lawyer type

Partners	31%
<u>Associates</u>	<u>62%</u>
Total Lawyers	52%

Weekly News Digest

Each Friday a weekly news digest with industry news and updates on the legal economy is available at <http://www.nalp.org/newsdigest> or via email subscription by emailing info@nalp.org with the subject line: NALP News Digest.

Questions and Discussion

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