



The Changing Entry-level Legal Employment Market

NALP Legal Employment Update

April 18, 2012

Presented by
James Leipold, Executive Director

The end of an era...

“Fall Legal Recruiting: Firms Face More Competition in Summer Hiring”

March 2007

“Salaries at Largest Firms Continue to Rise Rapidly”

September 2007

“Market for New Law Graduates at Highest Level in 20 Years”

July 2008

“Salaries at Largest Firms Up Again!”

August 2008

“Market for Class of 2008 Shrinks – Employment Rate Registers First Decline Since 2003”

July 2009

Brave new world?

“Salaries at Largest Firms Peak in 2009”

August 2009

“Entry-Level Recruiting Volumes Plunge, Some Start Dates Deferred”

March 2010

“Class of 2010 Graduates Faced Worst Job Market Since Mid-1990s: Longstanding Employment Patterns Interrupted”

June 2010

“Class of 2010 Graduates Saddled with Falling Average Starting Salaries as Private Practice Jobs Erode”

July 2011

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The Great Recession

- Direct impact on law firms
- Followed unprecedented bubble in the legal economy
- Collapse of credit market: no credit = no deals
- Law firm transactional work dried up overnight
- Growth of expenses had long outpaced growth of revenues
- Created immediate financial crisis for law firms
- Firms slashed expenses: layoffs, deferrals, de-equitization
- Approx. 12,000 Legal Sector jobs lost in 2008, 41,900 lost in 2009, 2,700 more lost in 2010 (Bureau of Labor Statistics)

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After the Great Recession

- Slow, tentative law firm recovery underway
- As credit loosened, deals came back, transactional work increased
- Litigation was not a strong counter-cycle practice
- Some markets, practice areas, have rebounded faster & stronger
 - Silicon Valley
 - IP work, Patent litigation, Energy law, Health care law, Banking
- Greater competition from LPOs, off-shore firms
- Lawyer jobs increasingly lost to technology
- With European debt crisis, transactional work slowed again

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Permanent changes?

- Higher percentage of work is alternative fee
- Downward pressure on price of legal services from clients
- Law firms trying to create efficiencies, lower costs
- Hiring more non-equity track lawyers at lower salaries
- Smaller summer classes & more lateral hiring
- Huge lateral movement of partners creating instability
 - E.g., demise of Heller, Howrey, etc.
- Law firms rapidly moving away from lockstep, toward competency & levels-based system

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Impact on the Job Market

- 9% fewer private practice jobs
- 20% drop in average salaries
- Higher law grad unemployment & under employment
- Fewer law grads working as lawyers
- New grads competing with displaced lawyers
- More grads seeking alternative careers

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Impact on the Job Market

- Job market for law graduates remains difficult across sectors
- Federal clerkship applications hit record levels
- State court clerkships limited by incumbent clerks
- Public interest hiring limited by funding crises
- State & local government hiring limited by budget shortfalls
- Non-legal job market also remains tough

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Legal Employment Market

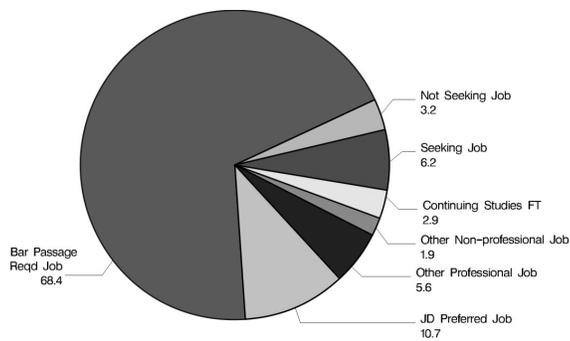
Employment Rate Nine Months after Graduation

Class of 2011:	+/-85%
Class of 2010:	87.6%
Class of 2009:	88.3%
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%

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Legal Employment Market

Initial Job Types Class of 2010 – As of February 15, 2011



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Legal Employment Market

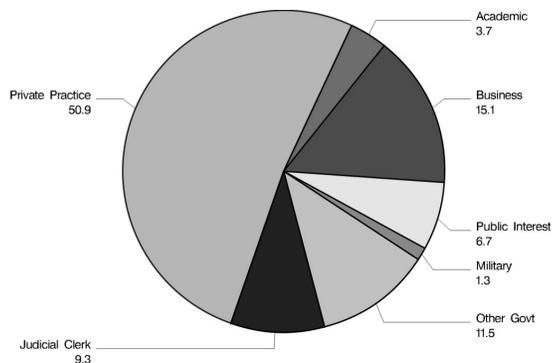
<u>Employer Status</u>	<u>2009</u>	<u>2010</u>
Bar Passage Req'd	70.8%	68.4%
JD Preferred	9.2%	10.7%
Other Professional	5.4%	5.6%
Other Non-Prof	1.8%	1.9%
Continuing Studies	3.1%	2.9%
Seeking Job	6.0%	6.2%
Not Seeking Job	2.7%	3.2%

Source: NALP's Jobs and JDs, Class of 2010

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Legal Employment Market

Initial Employment by Type of Employer Class of 2010 – As of February 15, 2011



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Legal Employment Market

<u>Employer Types</u>	<u>2009</u>	<u>2010</u>
Private Practice	55.9%	50.9%
Business	13.5%	15.1%
Government (inc mil)	11.4%	
	12.8%	
Judicial Clerkships	8.7%	9.3%
Public Interest	5.7%	6.7%
Academic	3.5%	3.7%

Source: NALP's Jobs and JDs, Class of 2010
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Legal Employment Market – Class of 2010 Characteristics

- 27% of all jobs reported as temporary
- 11% of positions reported as part-time
- 8% of jobs were both temporary and part-time
- 71% of jobs were both full-time and permanent
- 2.7% of all grads employed by their law schools
- 23% of employed indicated seeking other work
- 5.7% of all private practice jobs were solo practitioners
- 9.4% remained unemployed

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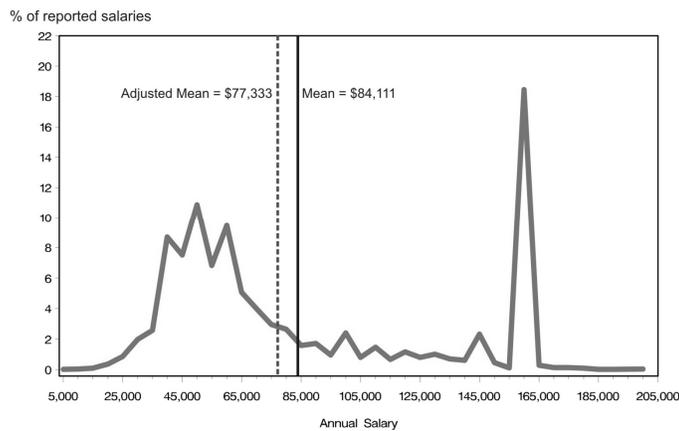
Legal Employment Market

Classes of 2009 & 2010 Starting Salaries

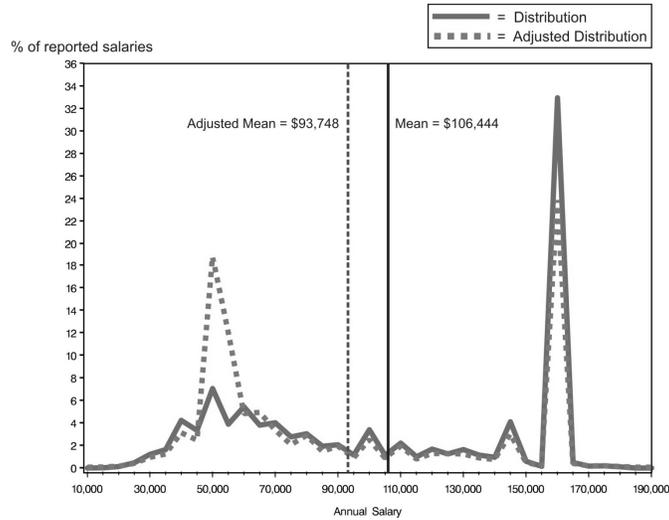
	2009	2010
Median Salary:	\$72,000	\$63,000
Mean Salary:	\$93,000	\$84,000
Adjusted Mean:	\$85,000	\$77,000
Median Firm Salary:	\$130,000	\$104,000
Mean Firm Salary:	\$115,000	\$106,000
Adjusted Mean Firm :	\$103,000	\$94,000

Source: NALP's Jobs and JDs, 2009
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Distribution of Reported Full-Time Salaries — Class of 2010



Distribution of Reported Full-Time Law Firm Salaries — Class of 2010



Private Practice Employment

Employment in Law Firms by Size of Firm

<u>Size of Firm</u>	<u>Percent of Private Practice Jobs</u>
Solo	5.7%
2-10	39.1%
11-25	8.9%
26-50	5.3%
51-100	4.2%
101-250	5.6%
251-500	6.0%
501+	20.5%
Unknown	4.9%

Source: NALP's Jobs and JDs, 2010

Starting Salaries: Private

Median Starting Salaries by Size of Law Firm

2-10	\$50,000
11-25	\$64,000
26-50	\$75,000
51-100	\$85,500
101-250	\$110,000
251-500	\$145,000
501+	\$160,000

Source: NALP's Jobs and JDs, 2010

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Government Employment

Distribution of Jobs by Level of Government

Federal	39.1%
State	28.5%
Local	31.1%

Starting Salaries by Level of Government

<u>Percentile</u>	<u>25th%</u>	<u>Median</u>	<u>75th%</u>
Federal	\$51,630	\$62,000	\$69,000
State	\$40,000	\$44,000	\$51,000
Local	\$42,500	\$50,000	\$56,000

Source: NALP's Jobs and JDs, 2010

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Judicial Clerkships

Distribution of Clerkships by Level of Government

Federal	37.8%
State	52.2%
Local	8.9%

Starting Clerkship Salaries by Level of Government

<u>Percentile</u>	<u>25th%</u>	<u>Median</u>	<u>75th%</u>
Federal	\$57,000	\$60,000	\$62,000
State	\$42,000	\$45,000	\$52,000
Local	\$35,000	\$42,000	\$45,000

Source: NALP's Jobs and JDs, 2010

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Public Interest Employment

Distribution of Jobs in Public Interest

Public Defender	23%
Legal Services	34%
Policy/Advocacy	19%
Community Org.	9%
Other Pub. Int.	14%

Starting Salaries for Public Interest Jobs

<u>25th%</u>	<u>Median</u>	<u>75th%</u>
\$40,000	\$42,900	\$50,000

Source: NALP's Jobs and JDs, 2010

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Public Interest Employment

- LSC-funded programs anticipate laying off 393 employees, including 163 attorneys, in 2012.
- During 2011, LSC programs reduced their staffing by 833 positions through layoffs and attrition. They now anticipate a new round of layoffs this year, bringing the staffing loss to 1,226 full-time personnel.
- IOLTA Funding, a primary funder of legal services, decimated in some jurisdictions, e.g. Florida: “[IOLTA] revenue...has dropped 88 percent from \$44 million annually in 2007 to just to \$5.5 million annually since 2010. And that is where it is expected to stay until at least 2014.”

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Public Interest Employment

- 31% of responding public defenders’ offices in hiring freeze at time of survey (Fall 2011)
- 45% of responding state government agencies/offices (not including AGs) in hiring freeze at time of survey
- Nearly 2/3’s of responding federal agencies/offices in hiring freeze at time of survey

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Employment in Business

- 15.1% of all jobs taken by law school graduates
 - 32% Required Bar Passage
 - 29% Report JD Preferred
 - 25% Reported as “Other Professional”

Starting Salaries for Jobs in Business and Industry

<u>25th%</u>	<u>Median</u>	<u>75th%</u>
\$50,000	\$65,000	\$85,000

Source: NALP's Jobs and JDs, 2010

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Employment in Academia

Jobs in Academic Settings

Law Faculty/Administration: 7.7%

Other Higher Education: 49.7%

Other Academic: 42.6%

63% of all jobs reported in the academic setting were reported as temporary jobs.

Starting Salaries for Academic Jobs

<u>25th%</u>	<u>Median</u>	<u>75th%</u>
\$37,500	\$47,000	\$60,000

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Summer Program Class Sizes

Average Class Size

- **8 in 2011**
- **8 in 2010**
- 12 in 2009
- 13 in 2008
- 13 in 2007
- 12 in 2006
- 12 in 2005

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Summer Program Length

National Average Summer Program Length

2011:	9.4 weeks
2010:	9.3 weeks
2009:	9.7 weeks
2008:	10.9 weeks

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Outcomes of Summer Programs

entry-level Offer and Acceptance Rates (Current 3Ls)

<u>Offer Rate</u>	<u>Acceptance Rate</u>
91% in 2011	85% in 2011
88% in 2010	82% in 2010
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

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Fall Recruiting Outcomes for the Class of 2012 (Current 3Ls)

Number of Employers Recruiting 3Ls
18% in 2011
15% in 2010
3% in 2009
25% in 2008
42% in 2007
53% in 2006
42% in 2005
31% in 2004
34% in 2003

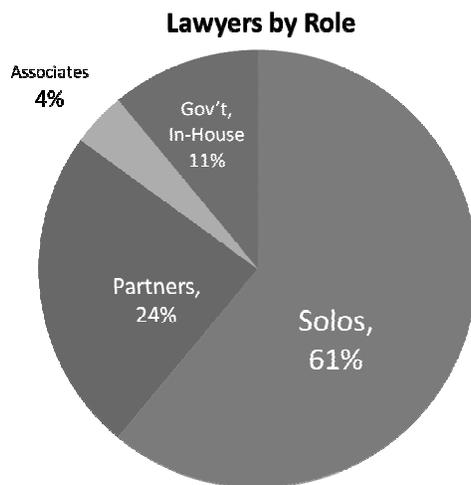
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Fall Recruiting Outcomes for the Class of 2013 (Current 2Ls)

Median Number of Offers Extended

<u>Firm Size</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
701+	11	12.5	8	18.5	30
501-700	13	19	19	11	16
251-500	14.5	10	9	8	19
101-250	8	9	6	12	17
<u>100 or fewer</u>	<u>4.5</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>4</u>
All Employers	10	9	7	10	15

Private Practice Circa 1948



- 152,600 Lawyers in Private Practice
- 45.0% w/ college degrees; 74.5% w/ law degrees
- 1.64 lawyers per firm
- 1.9 % lawyers in firms of 9+ partners

Source: Blaustein, "The 1949 Lawyer Count," 50 ABA J 370 (1950)

20th Century

Supply

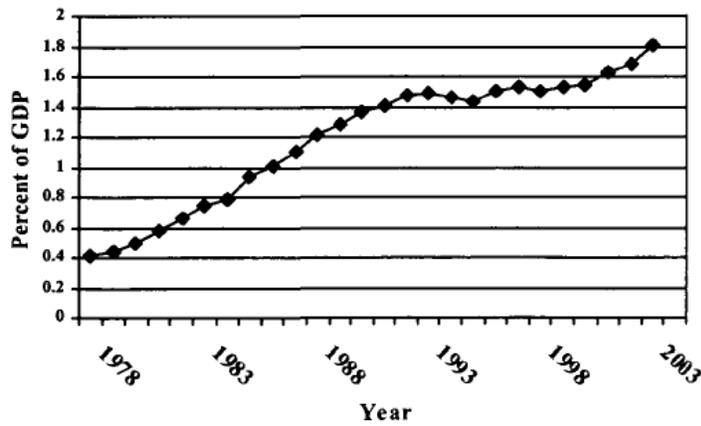
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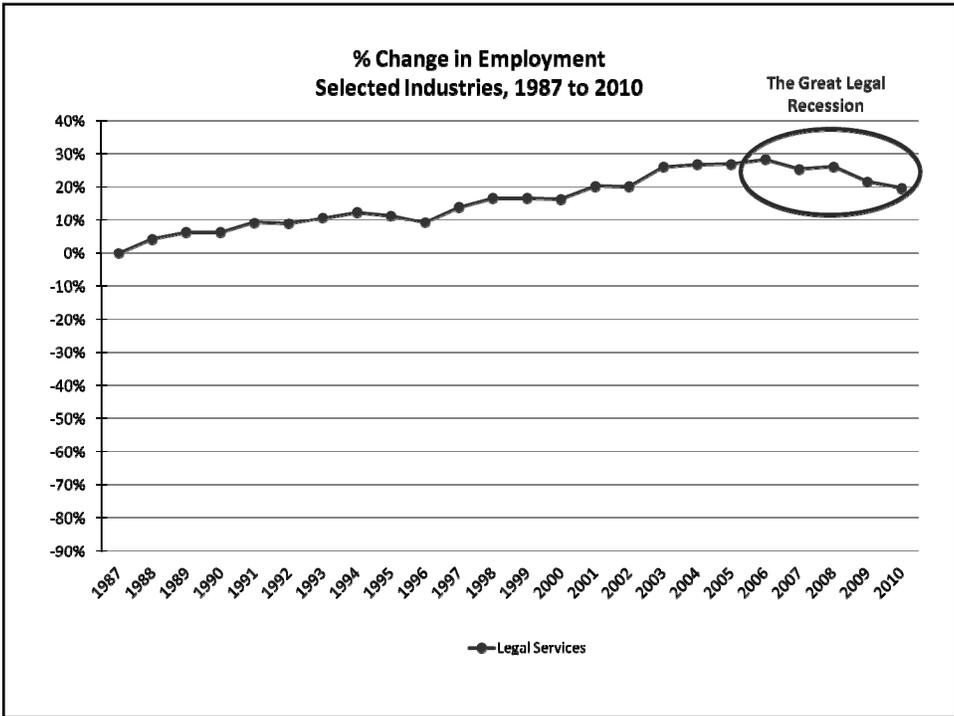
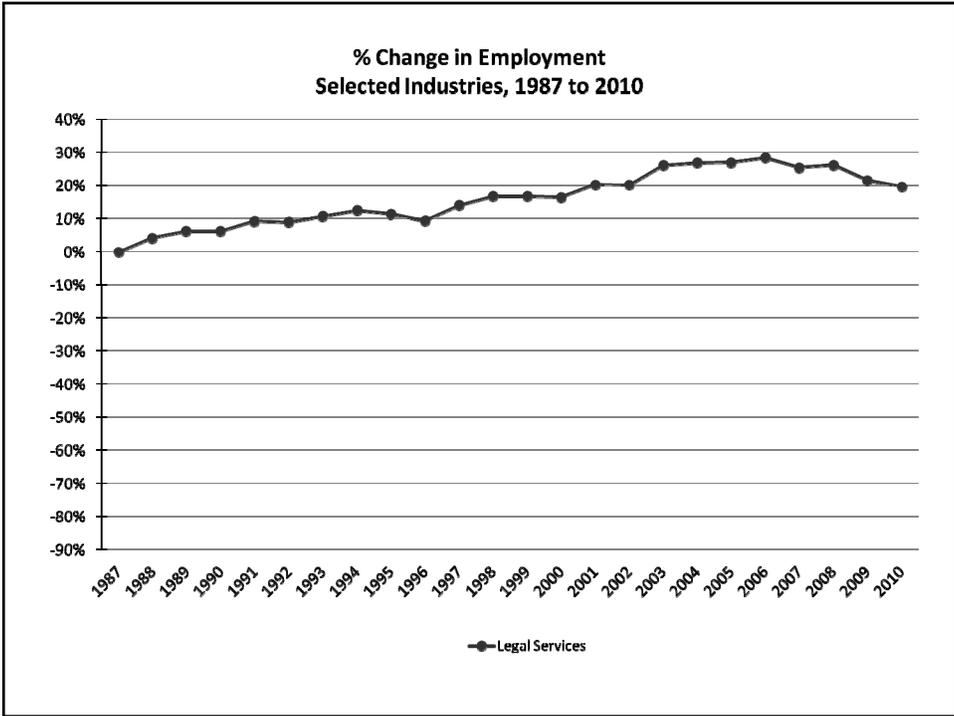
Business
lawyers

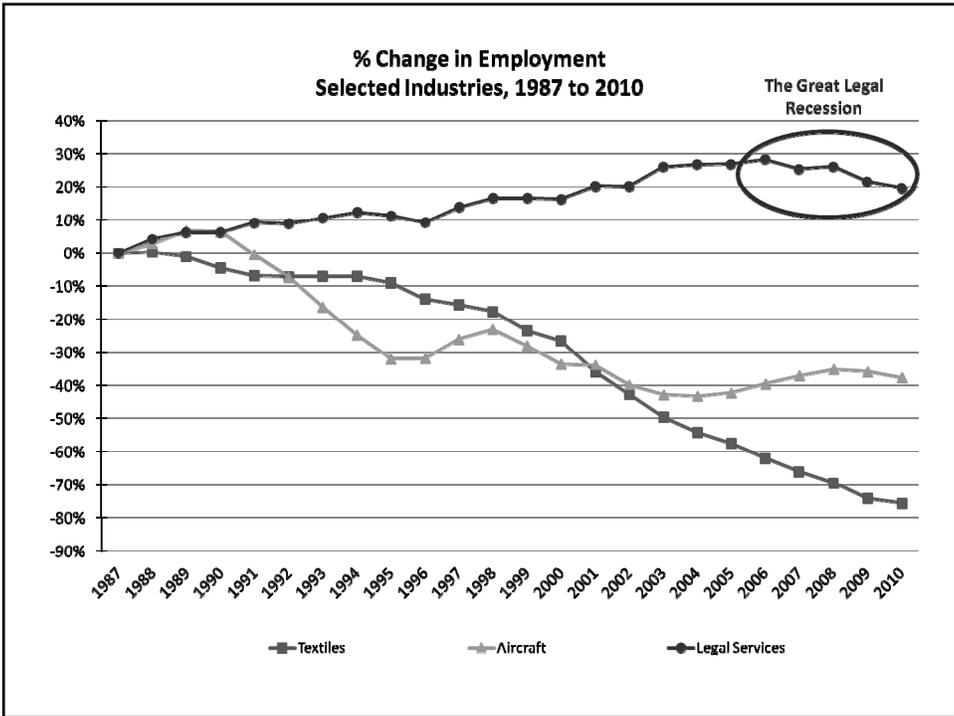
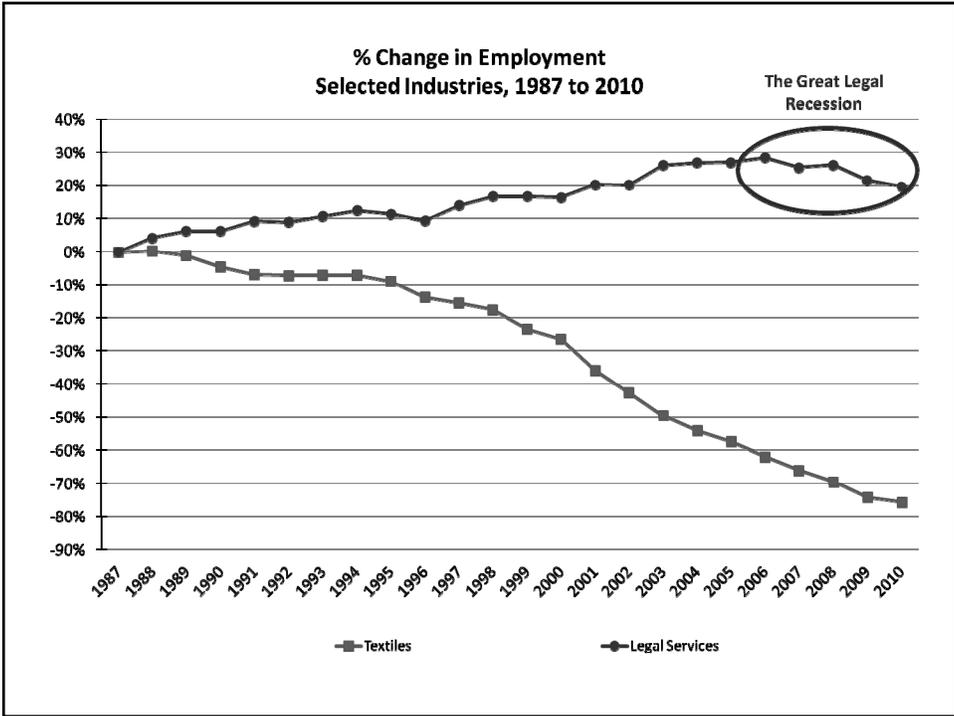
Sophisticated
legal needs

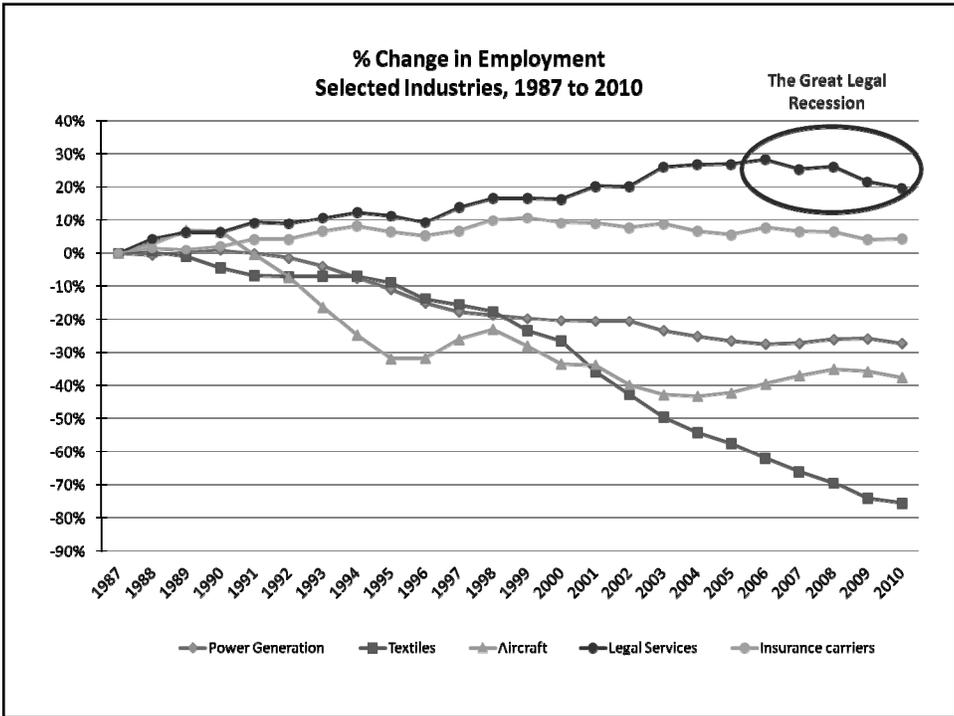
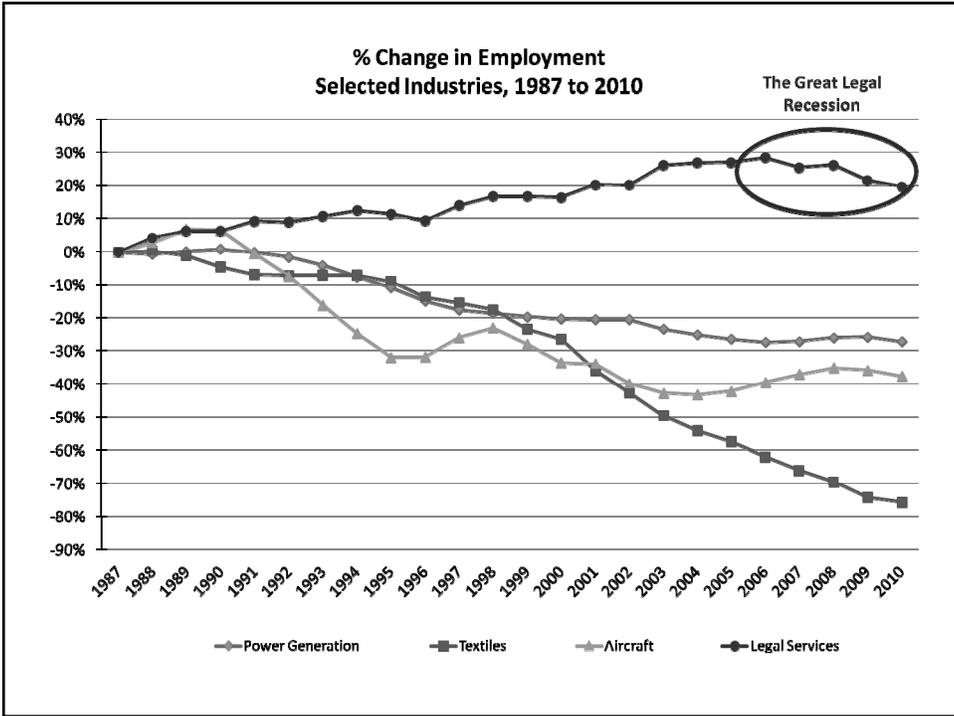
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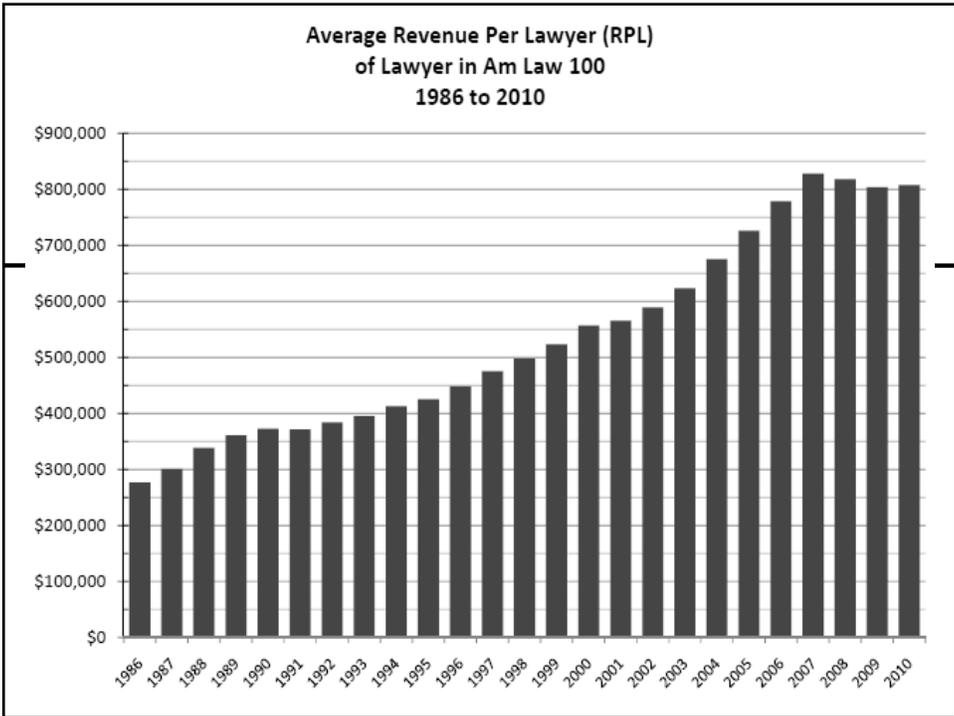
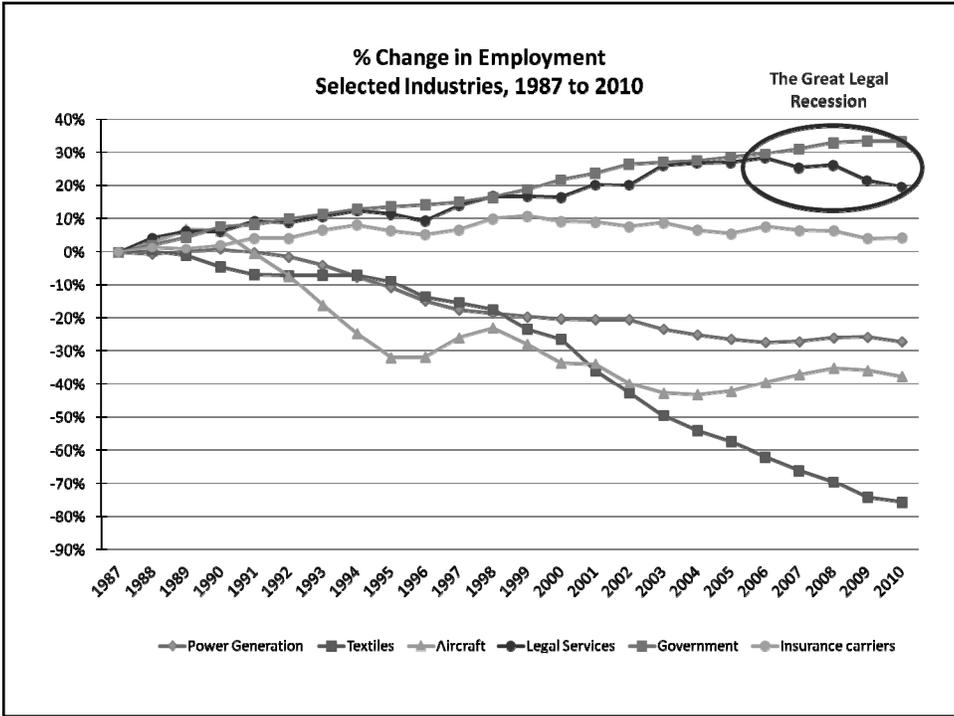
Figure 1. Expenditures on Legal Services as Percent of Gross Domestic Product, 1978–2003







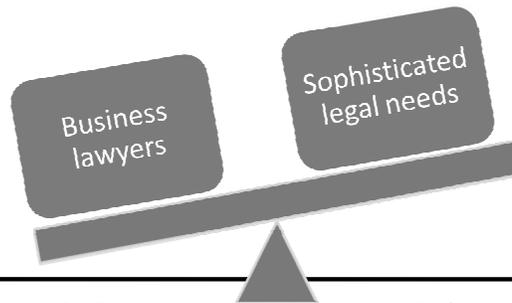




Market in 2011

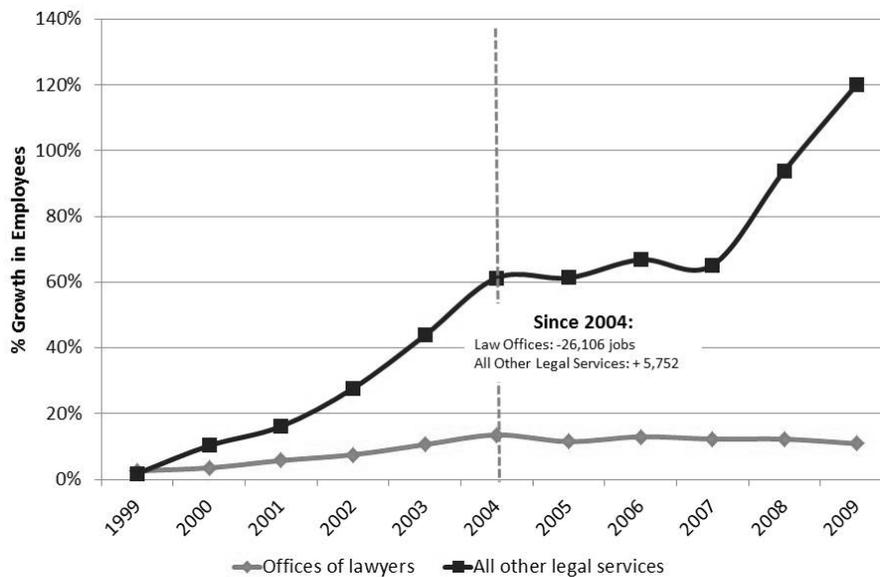
Supply

Demand



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Change in # of Employees since 1998
Legal Services Industry
Law Offices vs. All Other Legal Services



Law Student Loan Debt

- In 2010, 44,245 ABA law school graduates took on \$3.6 billion in student loans (up from \$3.1 billion in 2008)
- In 2010, average debt for graduates who borrowed money to attend law school was \$97,310 (roughly \$69,000 for public law school grads and \$106,000 for private law school grads)
- Class of 2020 projected to borrow \$7 billion in student loans, with public grads averaging \$118,000 and private school grads averaging \$157,000

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Call for Greater Transparency

- Push for “transparency” has created new pressures and challenges for legal education
- Mainstream media and scam bloggers have focused negative attention on legal education and law graduate debt, salaries, and employment prospects
- Multiple class action law suits have been filed against ABA-approved law schools essentially alleging fraud
- US Senators have made inquiries, may hold hearings

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Questions and Discussion

Contact Information

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