

EMPLOYMENT RATE INCREASES AFTER FLAT MARKET IN 2015

— A Summary of the Findings by Judith N. Collins, Director of Research —

The overall employment rate for the Class of 2016 was up by almost one full percentage point, to 87.5% of graduates for whom employment status was known, compared with 86.7% for the Class of 2015, even though the number of jobs found by graduates was down by more than 2,000 compared with 2015. However, the number of graduates also declined for the third year in a row after reaching a record high in 2013, and was down by over 2,800 according to the ABA. Thus the employment rate increased even as the number of jobs declined.

With the Class of 2014, NALP began measuring the employment rate of law graduates as of March 15, or ten months after a typical May graduation. Previously employment status had been measured as of February 15, an important distinction when making comparisons with employment rates prior to 2014. Analyses of these data for the Class of 2016 (measured in March of 2017) reveal an employment rate that saw only its second increase since a 27-year high of 91.9% in

2007, and follows a rate that was unchanged in 2015 compared with 2014. Over the past 20 years, the overall employment rate has exceeded that for the class of 2016 more often than not. (For information on trends in graduate employment going back to 1985, see <http://www.nalp.org/1016research>.)

Beyond the improvement in the overall employment rate, other markers point to an improved market, after very little change in 2015 compared with 2014. Of those graduates for whom employment status was known, the percentage of graduates taking jobs for which bar passage is required or anticipated increased for the third year in a row (and the third increase since 2007), and the increase, from 66.6% to 67.7% of graduates, was larger than the just 0.3 percentage point increase from 2014 to 2015, but still not on par with the nearly two percentage point increase from 2013 to 2014.

An additional 14.8% of graduates obtained jobs for which a JD provides an advantage in

obtaining the job, or may even be required, but for which bar passage is not required. (These are often described as law-related jobs.) Other than a small drop in 2015, which was totally recouped in 2016, the figure has increased steadily since 2007.

The percentage of graduates employed in other capacities was 5.0%. The unemployment rate, counting both graduates still seeking a job and those not seeking, also edged down for this class, and stood at 10.1%, compared with 10.9% for the Class of 2015. Of the remaining graduates for whom employment status was known, 0.69% had accepted a job as of March 15, 2017, but had not yet started that job, and 1.7% of the 2016 graduates were continuing their academic studies full time.

The percentage of jobs reported as part-time declined again and for the fifth year in a row. But at 6.1% compared with 6.7% in 2015, the decline was once again modest compared with part-time percentages of 8.4% in 2013, 9.8% in 2012, and over 11% in 2011. The

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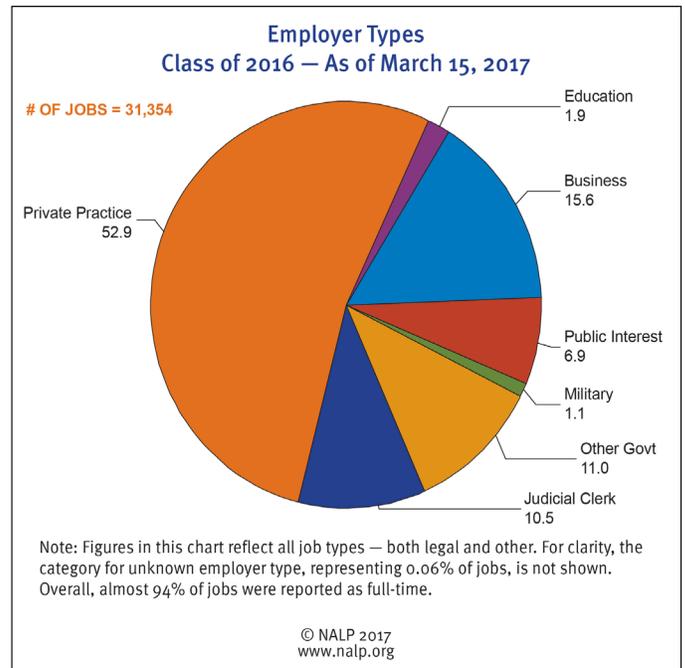
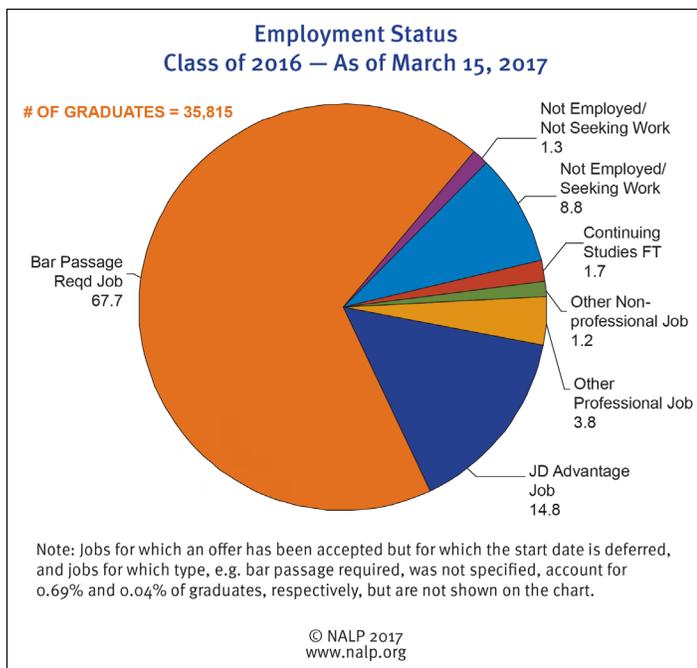


figure remains above a figure of about 5% in 2007 and in the years immediately prior to that. About 2.8% of jobs were both temporary (defined as lasting less than a year) and part-time, showing little change for the three most recent classes and a continued pause in a decline which started in 2011 when the figure was over 7%.

Of the 67.7% of graduates for whom employment status was known who obtained a job for which bar passage was required, some of these jobs were reported as part-time so that the percentage employed in a full-time job requiring bar passage was 66.2%. Further, because some of these jobs will last less than one year, the percentage employed full time in jobs requiring bar passage that will last at least a year is just 64.6%. These figures are improvements over the 2015 figures, which were 64.3% and 62.7%, respectively, and they are healthier increases than occurred in 2015, when these markers increased by just 0.5 and 0.7 percentage points, respectively, over 2014.

SHARE OF EMPLOYED GRADS IN PRIVATE PRACTICE SHOWS SMALL INCREASE

Additional analyses of the jobs data for the Class of 2016 reveal that over half (52.9%) of employed graduates obtained a job in private practice. The percentage of jobs in private practice has fluctuated in narrow range of 50.7% to 52.9% of jobs in the past five years. So, though there has been recovery since the percentage of jobs in firms dropped to a historic low of 49.5% for the Class of 2011, there has not been a return to the 55.9% figure for 2009. For most of the more than 40 years

for which NALP has collected employment information, the percentage of jobs in law firms has been in the 55-58% range and has been below 55% only before 1981 and since 2010. Despite a somewhat higher percentage of jobs in law firms, the smaller number of jobs overall means that the number of law firm jobs actually decreased by just over 3%, a percentage decrease considerably smaller than the 7.6% from 2014 to 2015, and in line with that from 2013 to 2014, which was 3.5%. But it is nonetheless in contrast to a cumulative increase of about 9% in 2012 and 2013 after the low point in 2011.

However, the number of jobs taken at the largest firms—those with more than 500 lawyers—increased modestly once again to push their share of law firm jobs up by more than two percentage points, from 23.3% of law firm jobs in 2015 to 25.5% in 2016. This compares with only 16.2% in 2011 and 19.1% in 2012. Despite the small increase in jobs at the largest firms, the number of law firm jobs overall was off by about 560, and the number of jobs taken in the largest firms is at about 82% of the levels reached in 2008 and 2009. At the other end of the spectrum, jobs in the smallest firms of 1-10 lawyers (which includes graduates working for a solo practitioner) accounted for 37.7% of law firm jobs, down from 39.5% in 2015, and declined in raw numbers from about 6,800 to less than 6,300. Though the number of jobs in the smallest firms is at its lowest level since 2004, the share of jobs in those smallest firms remains higher, and the number still exceeds the number of jobs in the largest firms by close to 50% compared with 25-30% in 2008 and 2009.

MEDIAN STARTING SALARY UNCHANGED, DESPITE INCREASE AT SOME FIRMS

Salary information was reported for almost 72% of the jobs reported as full-time and lasting at least a year. The national median salary for the Class of 2016 based on these reported salaries was \$65,000, essentially unchanged from the \$64,800 for the Class of 2015. The national mean for the Class of 2016 was \$90,305, compared with \$83,797 for the Class of 2015. The lack of movement in the median may seem counterintuitive and at odds with the fact that a number of large firms in major markets upped their starting salaries to \$180,000 between the time that Class of 2015 grads and Class of 2016 grads started working. However, the effect of these increases was to just shift the distribution of salaries in the upper half of the salary range, with little effect on where the middle falls. In fact, the 2015 median would have been \$65,000 if just a couple dozen more salaries had been reported at that level. The effect of the \$180,000 salaries can be seen more readily in the \$6,500 increase in the mean salary.

The effect of the \$180,000 salaries is also seen in the national median salary at law firms, which, based on reported salaries, climbed to \$104,000, the second increase in a row. (See Table 1 below.) Salaries of \$180,000 accounted for almost 28% of reported law firm salaries, whereas salaries of \$160,000 accounted for almost 32% of reported law firm salaries in 2015.

Median salaries in some other sectors increased some as well for only the second time after being relatively flat for a number

Table 1 - Median Starting Salaries 2008 – 2016

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	Change 2015 – 2016
Overall Median	\$72,000	\$72,000	\$63,000	\$60,000	\$61,245	\$62,467	\$63,000	\$64,800	\$65,000	+ 0.3%
Law Firm Median	\$125,000	\$130,000	\$104,000	\$85,000	\$90,000	\$95,000	\$95,000	\$100,000	\$104,000	+ 4.0%

of years prior to 2015. The median salary for government jobs was \$59,000, up from \$55,000 in 2015. The median salary at public interest organizations, which includes legal services providers and public defenders, was \$48,500 in 2016, compared with \$47,000 in 2015. The median salary for judicial clerkships was \$55,000, very little change from \$54,400 in 2015, and up just over \$3,000 since 2010.

OTHER KEY FINDINGS FROM JOBS & JDs: EMPLOYMENT AND SALARIES OF NEW LAW SCHOOL GRADUATES — CLASS OF 2016:

- Overall, 6.1% of jobs were part-time and were found in all employment sectors, but were especially prevalent in education settings, at 30%, compared with 27% in 2015 and 31% in 2014, followed by business at 13%. About 6% of public interest jobs were reported as part-time, a figure which has come down in recent years, as fewer of these jobs are short-term or part-time opportunities funded by law schools.
- Information collected on funding for jobs with a fixed duration reveals that both the number and percentage of jobs reported as funded by the graduate's law school were down compared with the Class of 2015, at 2.4% of jobs and 758 jobs, compared with 955 for 2015, and about half the number reported for the Class of 2014. Over two-thirds (68%) of these jobs were reported as bar passage required; 21% were reported as part-time, and 40% were reported as lasting less than a year. Since 2011, when NALP began tracking such funding, these jobs have increasingly become bar passage required, full-time, and long-term (at least a year), though this may have peaked in 2015, at two-thirds. For 2016 half of funded jobs fell into this category compared with less than 8% in 2011. Most funded jobs were in public interest, government, and education settings.
- The total number of public interest jobs, which includes jobs as public defender and in legal services offices, remains higher than it was prior to 2009, in no small part because of the presence of law school-funded jobs in this sector. About

18% of public interest jobs taken by the Class of 2016 were law school-funded. Although the number of jobs in education has drifted down and was below 600 for the first time since 2003 and is less than half the level of the peak years of 2009 and 2010, school-funded positions still account for almost one-quarter of these jobs, with the vast majority of funded jobs being research assistant/fellow positions. These kinds of jobs accounted for over one-quarter of all jobs in education.

- Employment in business stood at 15.6%, down from 17.2% in 2015 and the third and largest decline since reaching a historic high of 18.4% in 2013. The share of jobs in business has exceeded 15% since 2010. About 24% of these jobs were reported as requiring bar passage, and about 52% were reported as jobs for which a JD was an advantage.
- About 6.3% of these business jobs represent graduates working for agencies that place individuals in temporary legal, law clerk, or paralegal jobs, similar to 6.6% for the Class of 2015. The number of graduates taking these kinds of jobs has varied considerably since NALP began tracking this kind of job in 2006. The percentage for 2016 translates to just over 300 jobs, compared to about 380 for the Class of 2015. These numbers are far below the 700 reached in 2011, and the 2016 number is the lowest recorded.
- Public service jobs, including military and other government jobs, judicial clerkships, and public interest positions, accounted for 29.5% of jobs taken by employed graduates, essentially unchanged compared with 2015, and higher than the 28.7% in 2014, 27.6% in 2013, and 28.2% in 2012. Fluctuations in this figure notwithstanding, this percentage has remained relatively stable for more than 30 years, at 26-29%. Public interest organizations, including public defenders, accounted for 6.9% of jobs, compared with figures in the 7.1% to 7.5% range from 2011 to 2015, and 6.7% in 2010, and 5.6% in 2009. The increases are partly attributable to school programs that provide fellowship and grant opportunities in a variety of settings, including public interest. Although the percentage of jobs accounted for by judicial

clerkships has fluctuated somewhat, and stood at 10.5% in 2016, the number of clerkship opportunities has remained relatively steady since 2010, with between 3,300 and 3,400 jobs reported.

- Of employed graduates from the Class of 2016, not quite 17% were seeking a different job, a figure that has fallen each year from the record high of 24.6% for the Class of 2011. However, the percentage of employed graduates continuing to seek remains higher than the 15.9% figure reported for the Class of 2008. The extent to which employed graduates are seeking a different job varies by the kind of job held. For example, about 40% of graduates with a job for which a JD was an advantage were seeking a different job, compared to 9% of those with a job requiring bar passage.
- The number of graduates setting up their own solo law practice after law school declined again, accounting for 2.8% of law firm jobs and 1.5% of all jobs, compared with 3.4% and 1.7%, respectively, for the Class of 2015. In fact, the number of graduates setting up a solo practice is as low as it has been in 15 years, and as a percentage of jobs, solo practice levels now match their level of 2007, at 2.8% of law firm jobs in both years.

There is much more to discover about the most recent developments in law school graduate employment. How did women and minorities from the Class of 2016 fare? What cities and states offer the most employment opportunities, and where should graduates look for the best paying jobs? NALP's comprehensive *Jobs & JDs: Employment and Salaries of New Law School Graduates — Class of 2016* will answer these questions and more about the employment experiences of new law graduates and serve as a valuable resource and planning tool. This report is the only resource of its kind. To order a copy of the full *Jobs & JDs — Class of 2016* report, to be published in October 2017, email or mail a copy of the form on page 6 of these findings to the NALP office. ■

EMPLOYMENT RATE FOR NEW LAW SCHOOL GRADUATES RISES AS THE OVERALL NUMBER OF JOBS, CLASS SIZE, CONTINUE TO SHRINK

— Commentary and Analysis by James Leipold, Executive Director —

The employment outcomes findings for members of the Class of 2016 depict an entry-level legal employment market that continues to improve, albeit modestly. For the third year in a row the employment rate is shaped by a smaller number of jobs and a smaller graduating class size, with graduates benefitting from slightly less competition for the jobs that exist. The employment rate has risen because the falloff in the size of the graduating class has been larger than the falloff in the number of jobs secured. Notably, like the class that preceded it, this class secured fewer private practice jobs than any class since 1996.

Standing at 87.5% for the Class of 2016, the employment rate has risen three full percentage points in the three years since the Class of 2013 achieved an employment rate of 84.5%, the lowest overall employment rate measured following the recession. (Importantly, the employment data for the last three classes were collected as of March 15, approximately ten months after a typical May graduation, and therefore these figures are not directly comparable with the employment rates for the classes that immediately preceded them, as those data were collected as of February 15.)

The size of the graduating class is down by 9,652 graduates (nearly 21%) to 37,124, since the highwater mark of 46,776 reached with the Class of 2013, and during the same period the number of jobs secured by the graduating class has dropped by 6,375 (nearly 17%) to 31,355 from the high of 37,730 measured for the Class of 2013. Perhaps it is not surprising that smaller classes have found fewer jobs over the last few years, though there are examples from the past when the graduating class size has come down but the number of

jobs secured has gone up. The result is likely attributable to several factors, including a changing job market for law school graduates. And, for instance, it is unknown what effect the falling bar passage rate has had upon the employment rate at ten months after graduation, but that could certainly also play a role in the smaller number of jobs secured ten months after graduation.

What the data do show is that for the second year in a row the actual number of jobs obtained went down in every sector except the largest law firms of more than 500 lawyers. Members of this class secured just about 16,600 jobs in law firms of any size, down by more than 5,000 since the number of those jobs peaked for the Class of 2007. And while the largest law firms of more than 500 lawyers hired more law school graduates than at any time since the recession, the number of entry-level jobs at those firms is still off by nearly 1,000 positions compared with the peak hiring measured with the Class of 2008. By contrast, the number of judicial clerkships has varied from only 3,300 to 3,400 since 2010. For this class, although the actual number of clerkships was slightly smaller than the previous year, because the class size was so much smaller the percentage of jobs that were judicial clerkships went up. Government has also been a remarkably steady source of jobs for law school graduates before, during, and after the recession. By contrast, jobs in education more than doubled during the recession and are now back well below pre-recession levels, with fewer jobs in education than at any time since 2003. Similarly, the number of graduates starting out as solo practitioners nearly doubled following the recession, and those jobs as a percent of all jobs are now back down to the much

lower levels routinely measured prior to the recession, with the actual number of jobs reported as solo practitioners matching lows not seen since 2001.

Other notable characteristics of the employment profile for this class include a slightly higher percentage of graduates taking jobs that were classified as Bar Passage Required (although that number is still over nine percentage points below what it was before the recession), while JD Advantage jobs, at 14.8% of graduates, matched the 2014 figure, the highest since NALP began tracking these kinds of jobs. The dramatic falloff in law school-funded jobs continued, having now fallen 56% since they peaked in 2011. Just 758 school funded jobs were reported for the Class of 2016, with just about exactly half of those jobs classified as full-time, long-term, bar passage required jobs.

In addition, the number of graduates who report that they are working in jobs that are short-term and/or part-time also continues to decline, and the overall percentage of graduates who reported jobs that were full-time, long-term, and bar passage required continues to rise from its historic low of just 57% for the Class of 2011 and was almost 65% for the Class of 2016. However, it remains more than three percentage points below the 68% measured for the Class of 2008.

The mean salary for the Class of 2016 rose 7.2%, although the median remained flat, despite the rise in starting salaries to \$180,000 at many large law firms in large markets. At \$90,305, the mean starting salary for this class is still below the historic high of over \$93,000 measured for the Class of 2009. The mean law firm salary, however, approached the highwater mean measured before the recession.

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At \$113,571, the mean law firm salary for the Class of 2016 was only about \$1,500 less than the mean of just over \$115,000 measured for the Class of 2009 – a result of the fact that there are fewer of the highest paying law firm jobs than there were before the recession but many of those jobs now carry a higher starting salary.

What to make of all of this, and what does it portend for the future? First, the overall employment rate has improved mostly because of two factors. First, and most importantly, the smaller graduating class has meant that there is less competition for the jobs that exist. Second, large law firm hiring has increased fairly steadily since 2011, adding nearly 1,400 jobs in five years. The damper on that growth is that the number of jobs secured in every other sector has fallen steadily over the last two years. We also know that the runup in large law firm hiring has likely plateaued. NALP recruiting data from the fall of 2016 show that 50% of large law firms reported that they made fewer offers for summer associate spots for members of the Class of 2018 than they had for the Class of 2017. We would expect large law firm hiring for the Class of 2017 to show additional gains, and we will likely then see a leveling out in that sector for the Class of 2018. It is unlikely that large law firm hiring will ever match the highs reached for the Classes of 2007 and 2008 when more than 5,000 jobs at the largest law firms were reported for two years in a row.

In the law firm environment, we also know that demand for legal services has been fairly flat and that expenses are once again growing at a faster rate, driven

largely by lawyer headcount and higher associate salaries, and by the growing costs of technology and cybersecurity measures. And for law firms of every size, growing efficiencies created by technology and business systems, and increased competition from non-traditional legal services providers will both likely continue to put downward pressure on overall law firm lawyer headcount in the coming years and even decades.

Jobs in government and jobs as judicial clerks are likely to be steady, as they have been for many years, despite economic booms and busts. Jobs in business are likely to continue to be important sources of jobs for new graduates, and we would expect to see continued growth in the JD Advantage job sector as private practice opportunities continue to diminish and the businesses that compete with law firms continue to grow in size and importance. Work in the public interest sector is likely to continue to be challenged by the falloff in law school funded public interest fellowship programs. (Note that any change in the current federal student loan repayment and public interest loan forgiveness programs could dramatically alter the public interest jobs landscape in a very short amount of time, as could any dramatic change in the funding or existence of the Legal Services Corporation.)

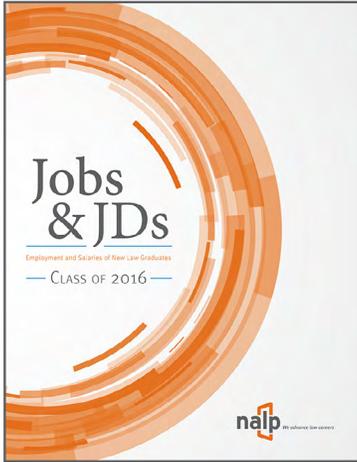
More globally, we know that the Class of 2017 is yet again smaller than the Class of 2016, but the falloff in size from the previous class is less dramatic than the decreases in class size that we have seen over the last two years. The classes of 2018 and 2019 that follow will then be almost exactly the same size as the Class of 2017,

so we should see level class sizes for at least three years as the falloff in law school applications and admissions has flattened out over a three-year period. Finally, we know that many law schools continue to struggle with lower bar passage rates than they had enjoyed prior to the recession.

All of this suggests a continued tight job market for law school graduates at the ten-month mark, or at least tighter than the pre-recession market. There is some hope that we might be approaching homeostasis with supply and demand, that is, with law school enrollment “right-sizing” itself we might be entering a period of time when the number of law school graduates more closely matches the number of jobs available. But, we also know that most jobs are not in fact earmarked for new law school graduates, and in many instances other than certain clerkship opportunities and many large law firm opportunities, graduates will continue to compete with other junior lawyers for most jobs, and it is still a scrappy and entrepreneurial job market where graduates often create their own job opportunities rather than being hired for a position that is vacant. While the percentage of law school graduates who are unemployed and still seeking work ten months after graduation has come down by two and a half percentage points to 8.7% over the last three years, it continues to be more than twice as high as the unemployment rate measured nine months after graduation in the period prior to the recession, and this, more than anything, remains an important marker of the current job market for new law school graduates. ■

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