



*NALP believes in fairness, facts and the power of a diverse community. We work every day to be the best career services, recruitment, and professional development organization in the world because we want the lawyers and law students we serve to have an ethical recruiting system, employment data they can trust, and expert advisers to guide and support them in every stage of their careers.*



## Legal Employment Market Update: Fall Recruiting Wrap-Up & Review

### **Member Webinar**

January 29, 2014

#### **Presenters:**

Stacey Kielbasa, President

James Leipold, Executive Director

## The Current Market Landscape

- “2013 was another flat year for economic growth in US law firms, with continuing sluggish demand growth, persistent challenges of low productivity, ongoing client pushback on rate increases, and a continuing struggle to maintain discipline on expenses.”
- “Real estate showed the highest demand growth, albeit at a modest 1.2 percent level, followed by labor and employment. Corporate practices were essentially flat, and all other practices saw declines.”
- “Current levels of productivity are still over 100 billable hours per time keeper per year lower than in the pre-recession period in 2007.”
- “Clients continued to push back on rate increases, keeping pressure on the realization rates that firms were able to achieve.”
- “On average, law firms are collecting only 83.5 cents for every \$1.00 of standard time that they record. By contrast, at the end of 2007 the collected realization rate was at the 92 cents per \$1.00.”



Source: Georgetown/Thomson Reuters Peer Monitor: 2014 Report on the State of the Legal Market

## The Current Market Landscape

“The current trends reflect fundamental changes in the nature of competition in the legal market, changes that have been increasingly evident since 2008.”

- the growing availability of public information about the legal market
- the inexorable drive toward commoditization of legal services enhanced by the growth of enabling technologies
- the emergence of non-traditional service providers
- the changing role of in-house corporate counsel
- the impact of globalization
- the collapse of an unsustainable law firm business model based largely on the ability to raise rates 6-8 percent a year



Source: Georgetown/Thomson Reuters Peer Monitor: 2014 Report on the State of the Legal Market

## The Current Market Landscape

- “We believe that we have witnessed a fundamental shift in the market for legal services, resulting in a changed and more muted demand environment for law firms.”
  - Tepid demand, intense competition, significant pricing pressure
  - Excess capacity, weighty client discounts, and profit margins under pressure
- “We have seen a permanent transformation in the purchasing behavior of law departments....clients have become much more sophisticated purchasers of legal services.”



Source: Citi Hildebrandt 2014 Client Advisory

## The Current Market Landscape

- Some of the systemic changes constraining demand growth for law firms are:
  - the fundamental changes in the composition and purchasing behavior of in-house departments
  - the increasing emergence of alternative lower cost legal services providers, including the growing presence of accounting firms in areas of work traditionally handled by law firms
  - the impact of technology on reducing the amount of time required to perform legal work
- Tasks that are deemed as lower value and more price sensitive are increasingly likely to be disaggregated from higher value tasks.



Source: Citi Hildebrandt 2014 Client Advisory

## The Current Market Landscape

- “In order to lower the cost of doing the work, we have seen the composition of leverage at law firms shift to a greater proportion of lower cost lawyers. 70% of law firms reported that they are using permanent, lower cost, non-partner track lawyers. We view this as a permanent shift in the legal staffing model.”
- “Successful leaders have also been surrounding themselves with strong, independent and highly skilled professional managers in the finance, technology, human resources, and marketing roles.”
- “We believe that we have witnessed a systemic change in the demand for law firm services, and that excess capacity and pricing pressure will likely continue in the near future, continuing to put significant pressure on the bottom line in 2014 and beyond.”



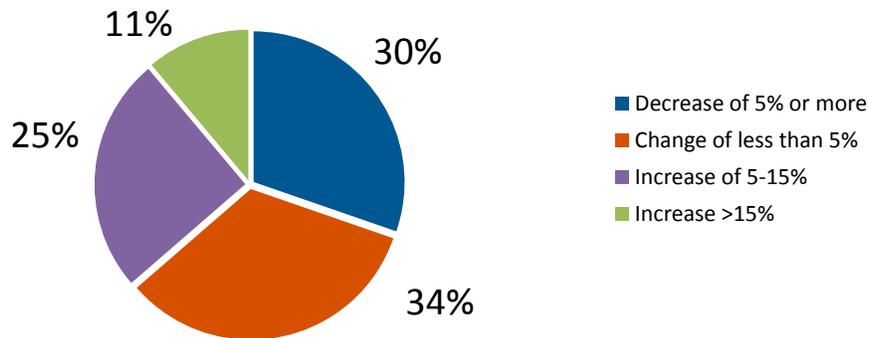
Source: Citi Hildebrandt 2014 Client Advisory



## NALP Fall Recruiting Survey Results – Law Schools and Law Firms

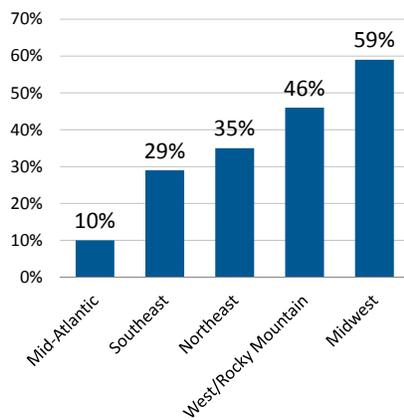
## National Fall On-Campus Recruiting Levels

Number of Employers on Campus  
Compared to Previous Year as Reported By Schools

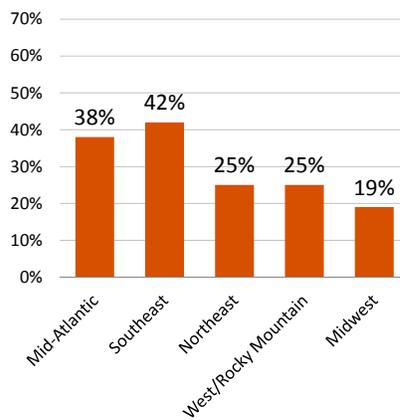


## Regional Fall On-Campus Recruiting Levels

Increase of 5% or more as reported by schools

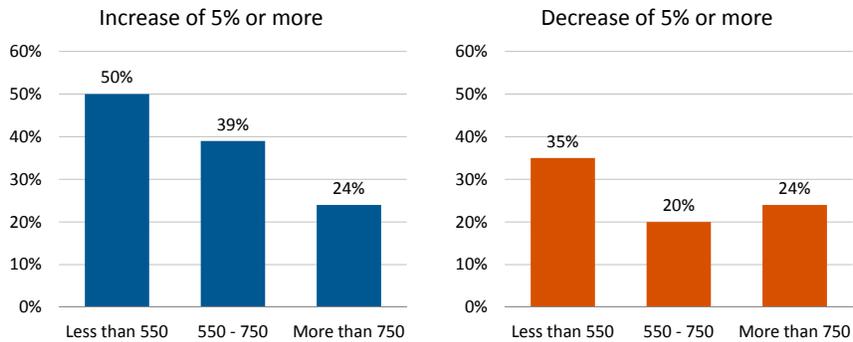


Decrease of 5% or more as reported by schools



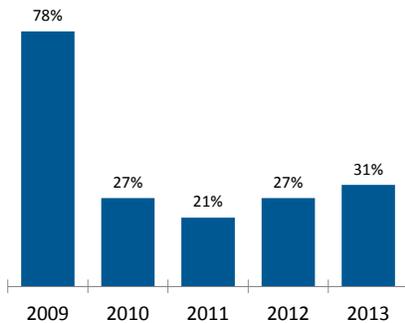
## National Fall On-Campus Recruiting Levels

Number of Employers on Campus Compared to Previous Year  
by Region As Reported by Schools

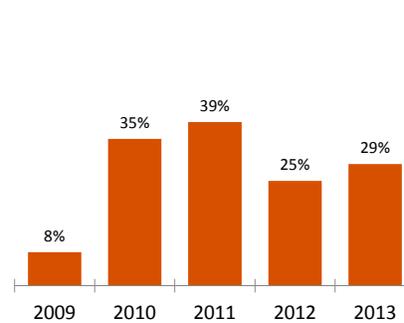


## National Fall On-Campus Recruiting Levels 2013 Trends As Reported by Employers

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



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



*As reported by employers.*



## National and Regional Fall On-Campus 2013 Recruiting Levels As Reported by Employers

| Number of Schools Visited by Firms in 2013 Compared to 2012 |            |            |            |
|---|------------|------------|------------|
| Region  | Decrease   | No Change  | Increase   |
| Northeast   | 27%        | 41%        | 33%        |
| Southeast   | 24%        | 39%        | 36%        |
| Mid-Atlantic  | 38%        | 31%        | 31%        |
| West/Rocky  | 29%        | 51%        | 20%        |
| Midwest   | 34%        | 46%        | 20%        |
| <b>Nationwide</b>   | <b>31%</b> | <b>40%</b> | <b>29%</b> |



Source: NALP's Perspectives on Fall Law Student Recruiting, 2013

## City Fall On-Campus Recruiting Levels 2013 Trends As Reported By Employers

| Number of Schools Visited by Firms in 2013 Compared to 2012 |          |           |          |
|---|----------|-----------|----------|
| City/Cities   | Decrease | No Change | Increase |
| Boston  | 54%      | 23%       | 23%      |
| Chicago   | 33%      | 38%       | 29%      |
| Minneapolis Area  | 50%      | 50%       | None     |
| New York  | 24%      | 40%       | 36%      |
| Philadelphia  | 20%      | None      | 80%      |
| Washington DC/<br>NOVA Area                                 | 43%      | 30%       | 27%      |



Source: NALP's Perspectives on Fall Law Student Recruiting, 2013

## City Fall On-Campus Recruiting Levels 2013 Trends As Reported By Employers

| Number of Schools Visited by Firms in 2013 Compared to 2012 |          |           |          |
|---|----------|-----------|----------|
| City/Cities   | Decrease | No Change | Increase |
| Atlanta   | 14%      | 29%       | 57%      |
| Charlotte   | None     | 33%       | 67%      |
| Dallas  | 50%      | 17%       | 33%      |
| Houston   | 22%      | 56%       | 22%      |
| Miami/ Ft. Lauderdale/<br>W. Palm Beach                     | 25%      | 63%       | 13%      |
| Raleigh/ Durham Area  | None     | 80%       | 20%      |



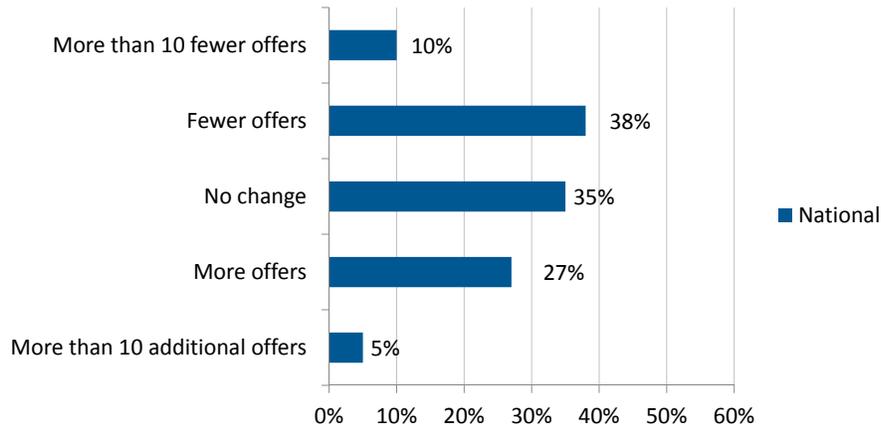
Source: NALP's Perspectives on Fall Law Student Recruiting, 2013

## City Fall On-Campus Recruiting Levels 2013 Trends As Reported By Employers

| Number of Schools Visited by Firms in 2013 Compared to 2012 |          |           |          |
|---|----------|-----------|----------|
| City/Cities   | Decrease | No Change | Increase |
| Los Angeles &<br>Orange County                              | 32%      | 43%       | 25%      |
| Portland  | None     | 83%       | 17%      |
| San Francisco   | 14%      | 57%       | 29%      |
| San Jose Area   | 43%      | 29%       | 29%      |
| Seattle   | 14%      | 86%       | None     |



## Change in Number of Offers for Summer Associate Positions (2013 vs. 2012)



As reported by law firms.

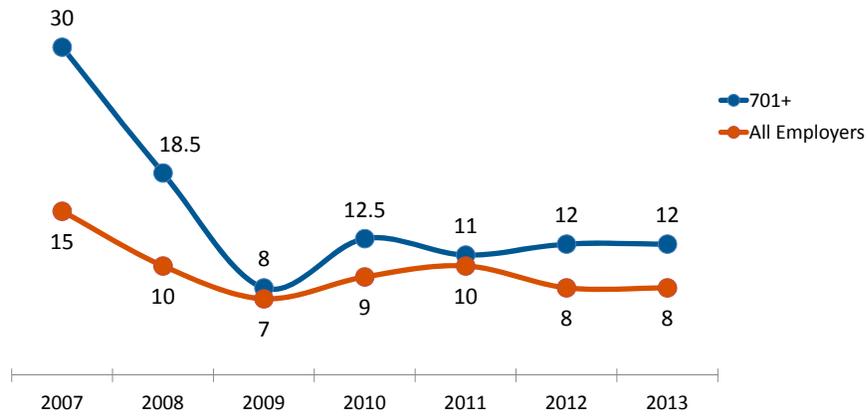
## Offers Extended to 2Ls for Summer Programs

| Median Number of Offers Extended |           |           |          |          |           |          |          |
|----------------------------------|-----------|-----------|----------|----------|-----------|----------|----------|
| Firm Size                        | 2007      | 2008      | 2009     | 2010     | 2011      | 2012     | 2013     |
| 701+                             | 30        | 18.5      | 8        | 12.5     | 11        | 12       | 12       |
| 501 – 700                        | 16        | 11        | 19       | 19       | 13        | 13       | 18       |
| 251 – 500                        | 19        | 8         | 9        | 10       | 14.5      | 8.5      | 11       |
| 101 – 250                        | 17        | 12        | 6        | 9        | 8         | 7        | 7        |
| 100 or fewer                     | 4         | 4         | 4        | 3        | 4.5       | 5        | 3        |
| <b>All Employers</b>             | <b>15</b> | <b>10</b> | <b>7</b> | <b>9</b> | <b>10</b> | <b>8</b> | <b>8</b> |



Source: NALP's Perspectives on Fall Law Student Recruiting, 2003 - 2013

## Median Number of Offers Extended to 2Ls for Summer Programs

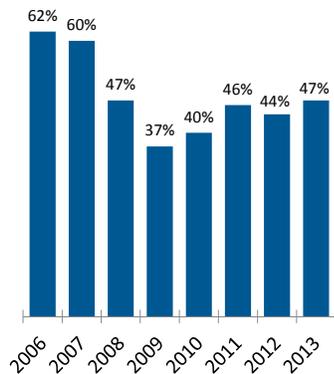


Source: NALP's Perspectives on Fall Law Student Recruiting, 2003 - 2013

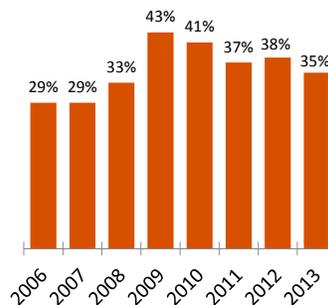


## Fall Recruiting Outcomes for 2Ls

Callback Interviews Resulting in Offers



Offer Acceptance Rate

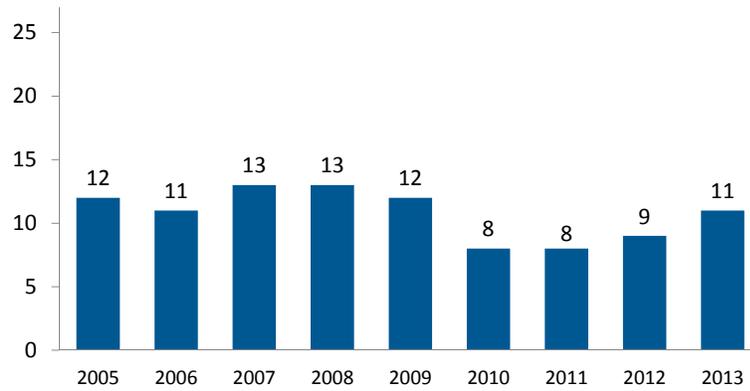


As reported by law firms.



## Law Firm Summer Program Class Size

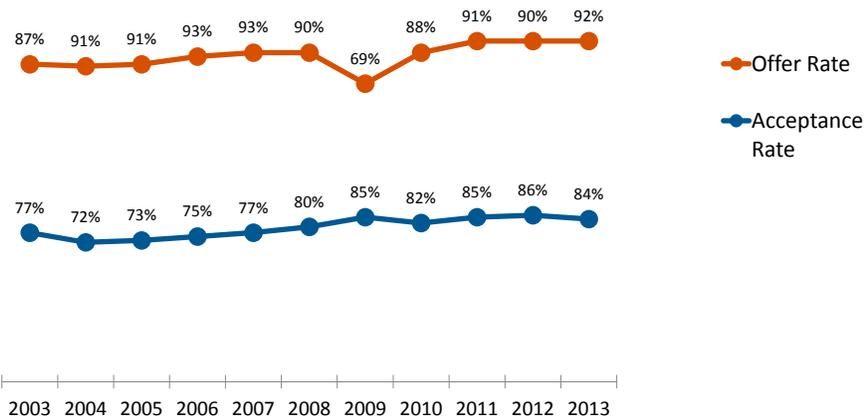
Average Class Size



Source: NALP's Perspectives on Fall Law Student Recruiting, 2005 - 2013



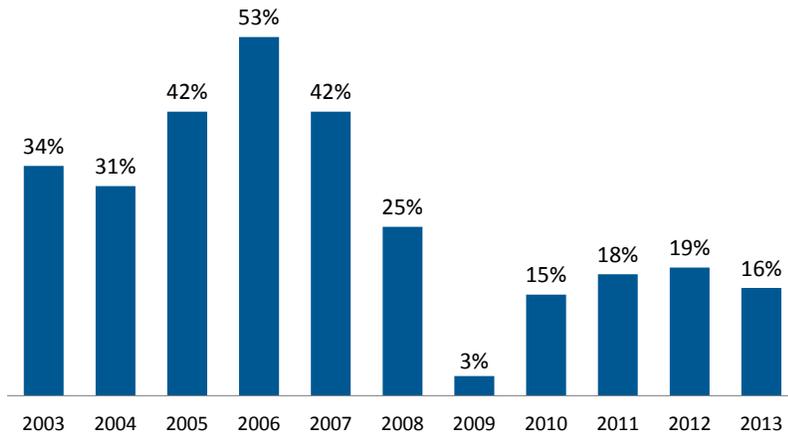
## Outcomes of Summer Programs



Source: NALP's Perspectives on Fall Law Student Recruiting, 2003 - 2013



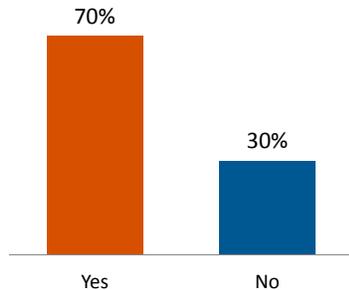
## Fall Recruiting of 3Ls As Reported by Law Firms



Source: NALP's Perspectives on Fall Law Student Recruiting, 2003 - 2013

## Minority Job Fair Participation

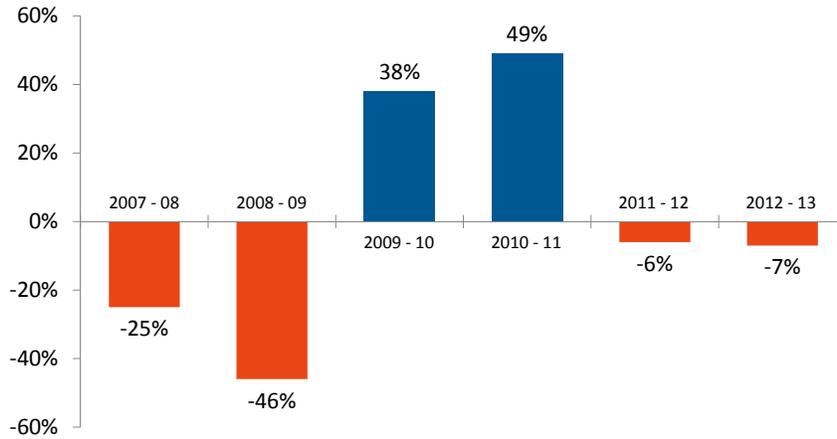
Does your firm participate in job fairs?



Of those who do go to job fairs, about 60% go to 1 or 2 and for about 2/3 of this group, all the job fairs are minority job fairs, with the result that about 70% of the job fairs collectively reported by this group are minority job fairs

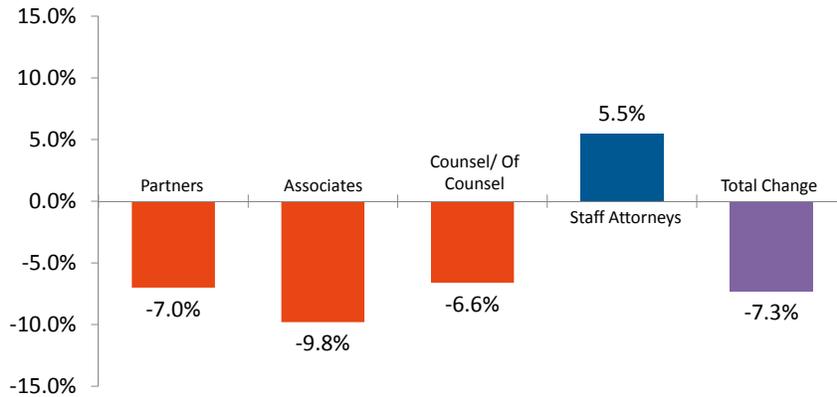
Of the remaining 40% who do go to job fairs (3+) only a handful go to strictly minority job fairs, with the result that just 45% of the job fairs collectively reported by this group are minority job fairs

## Lateral Hiring Volume (Change From Previous Year)



## Lateral Hiring Volume (Change from 2012 to 2013)

Change in number of lateral lawyers hired by lawyer type





## NALP Employment Report and Salary Survey Results for the Class of 2012

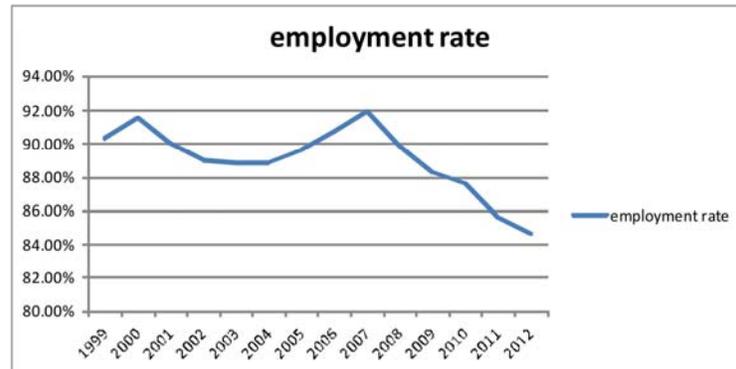


### The New Legal Job Market

| Employment Rate Nine Months After Graduation |              |
|--|--------------|
| <b>Class of 2012</b>                         | <b>84.7%</b> |
| Class of 2011                                | 85.6%        |
| 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%        |



## The New Legal Job Market



## The New Legal Job Market

- Members of the class of 2012 found **more jobs** than the previous class, **more jobs in private practice**, and **more jobs with bigger law firms** (and median starting **salaries rose**).
- They also found more full-time, long-term, bar-passage required work than the previous class.

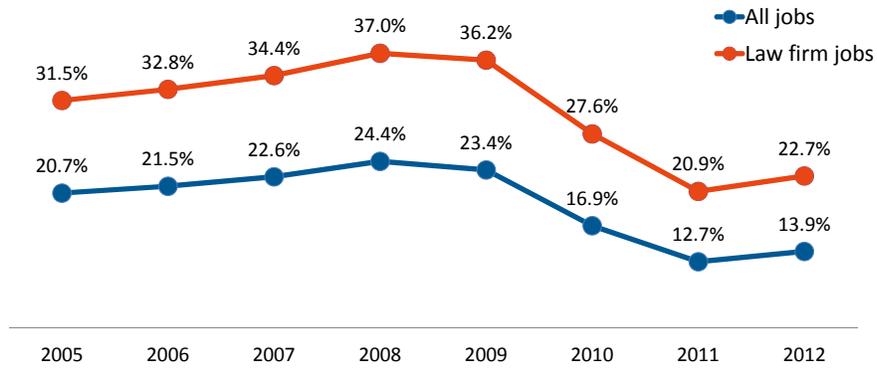
But...

- Because the class was so much larger than the previous class, **the 9-month unemployment rate was actually up**, and the overall **employment rate was down**.
- And, even with improvements, only **58.3%** of the class found jobs that were long-term, full-time, and required bar-passage.



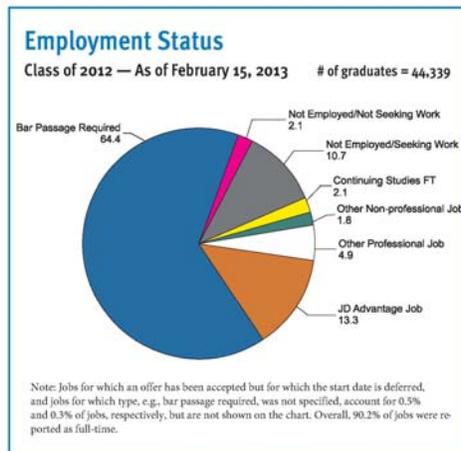
## Decline in Jobs via OCI

Percentage of Jobs Obtained through Fall OCI, 2005 - 2012



Source: NALP's Jobs & JDs reports for the Classes of 2005 - 2012

## The New Legal Job Market



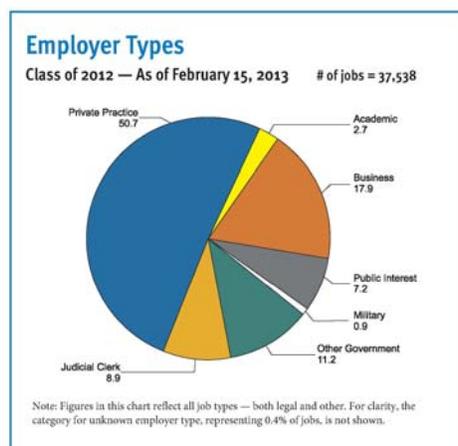
## Legal Employment Market: Initial Employment Status

| Job Type           | 2007  | 2008  | 2009  | 2010  | 2011  | 2012         |
|--------------------|-------|-------|-------|-------|-------|--------------|
| Bar Passage Req'd  | 76.9% | 74.7% | 70.8% | 68.4% | 65.4% | <b>64.4%</b> |
| JD Advantage       | 7.7%  | 8.1%  | 9.2%  | 10.7% | 12.5% | <b>13.3%</b> |
| Other Professional | 5.1%  | 4.9%  | 5.4%  | 5.6%  | 5.3%  | 4.9%         |
| Other Non-Prof.    | 1.3%  | 1.3%  | 1.8%  | 1.9%  | 1.9%  | 1.8%         |
| Continuing Studies | 2.3%  | 2.4%  | 3.1%  | 2.9%  | 2.3%  | 2.1%         |
| Seeking Job        | 4.1%  | 5.4%  | 6.0%  | 6.2%  | 9.6%  | <b>10.8%</b> |
| Not Seeking Job    | 1.7%  | 2.3%  | 2.7%  | 3.2%  | 2.5%  | 2.1%         |

Source: NALP's Jobs and JDs, Classes of 2007, 2008, 2009, 2010, 2011, & 2012



## The New Legal Job Market



## Legal Employment Market: Initial Employer Type as of Feb. 15

| Employer Type                     | 2007  | 2008  | 2009  | 2010  | 2011         | 2012  |
|-----------------------------------|-------|-------|-------|-------|--------------|-------|
| Private Practice                  | 55.5% | 56.2% | 55.9% | 50.9% | <b>49.5%</b> | 50.7% |
| Business                          | 14.1% | 13.4% | 13.5% | 15.1% | <b>18.1%</b> | 17.9% |
| Government,<br>including military | 11.7% | 11.8% | 11.4% | 12.8% | 11.9%        | 12.1% |
| Judicial<br>Clerkships            | 9.8%  | 9.6%  | 8.7%  | 9.3%  | 9.3%         | 8.9%  |
| Public Interest                   | 5.8%  | 5.4%  | 5.7%  | 6.7%  | 7.5%         | 7.2%  |
| Academic                          | 1.8%  | 2.3%  | 3.5%  | 3.7%  | 3.0%         | 2.7%  |

Source: NALP's Jobs and JDs, Classes of 2007, 2008, 2009, 2010, 2011, & 2012



## Median & Mean Starting Salaries: Classes of 2009, 2010, 2011 & 2012

| Salary        | 2009     | 2010     | 2011            | 2012     |
|---------------|----------|----------|-----------------|----------|
| Median Salary | \$72,000 | \$63,000 | <b>\$60,000</b> | \$61,250 |
| Mean Salary   | \$93,000 | \$84,000 | <b>\$78,650</b> | \$80,800 |

| Salary             | 2009      | 2010      | 2011            | 2012      |
|--------------------|-----------|-----------|-----------------|-----------|
| Median Firm Salary | \$130,000 | \$104,000 | <b>\$85,000</b> | \$90,000  |
| Mean Firm Salary   | \$115,000 | \$106,000 | <b>\$97,800</b> | \$100,800 |

Source: NALP's Jobs and JDs, Classes of 2007, 2008, 2009, 2010, 2011, & 2012



## Adjusted Mean Starting Salaries: Classes of 2009, 2010, 2011 & 2012

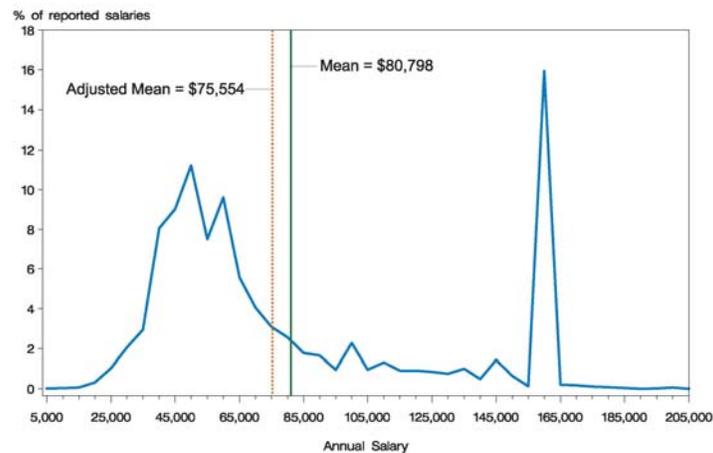
| Salary               | 2009     | 2010     | 2011     | 2012     |
|----------------------|----------|----------|----------|----------|
| Mean Salary          | \$93,000 | \$84,000 | \$78,650 | \$80,800 |
| Adjusted Mean Salary | \$85,000 | \$77,000 | \$74,000 | \$75,550 |

Source: NALP's Jobs and JDs, Classes of 2007, 2008, 2009, 2010, 2011, & 2012



## Distribution of Reported Full-Time Salaries – Class of 2012

Distribution of Reported Full-Time Salaries



## Private Practice Employment

| Employment in Law Firms by Size of Firm |                                  |           |
|---|----------------------------------|-----------|
| Size of Firm                            | Percent of Private Practice Jobs | Subtotals |
| Solo                                    | 5.1%                             |           |
| 2 – 10                                  | 43%                              |           |
| 11 – 25                                 | 9.9%                             |           |
| 26 – 50                                 | 5.7%                             | 63.7%     |
| 51 – 100                                | 4.5%                             |           |
| 101 – 250                               | 5.5%                             |           |
| 251 – 500                               | 5.3%                             |           |
| 501+                                    | 19.1%                            | 34.4%     |
| Unknown                                 | 1.9%                             |           |

Source: NALP's Jobs and JDs, Class of 2012



## Starting Salaries: Private

| Median Starting Salaries by Size of Law Firm |                 |
|--|-----------------|
| Firm Size                                    | Starting Salary |
| 2 – 10                                       | \$50,000        |
| 11 – 25                                      | \$61,000        |
| 26 – 50                                      | \$75,000        |
| 51 – 100                                     | \$87,500        |
| 101 – 250                                    | \$110,000       |
| 251 - 500                                    | \$160,000       |
| 501+   | \$160,000       |

Source: NALP's Jobs and JDs, Class of 2012



## Government Employment

| Distribution of Jobs by Level of Government |       |
|---|-------|
| Federal                                     | 29.7% |
| State                                       | 32.3% |
| Local                                       | 36.5% |

| Starting Salaries by Level of Government |                    |          |                    |
|--|--------------------|----------|--------------------|
| Government Level                         | 25 <sup>th</sup> % | Median   | 75 <sup>th</sup> % |
| Federal                                  | \$53,500           | \$62,500 | \$74,900           |
| State                                    | \$40,000           | \$45,000 | \$52,000           |
| Local                                    | \$45,300           | \$52,500 | \$60,000           |

Source: NALP's Jobs and JDs, Class of 2012



## Judicial Clerkships

| Distribution of Clerkships by Level of Government |       |
|---|-------|
| Federal   | 38.2% |
| State   | 51.1% |
| Local   | 10%   |

| Starting Clerkship Salaries by Level of Government |                    |          |                    |
|--|--------------------|----------|--------------------|
| Government Level                                   | 25 <sup>th</sup> % | Median   | 75 <sup>th</sup> % |
| Federal  | \$57,400           | \$60,000 | \$63,000           |
| State  | \$43,000           | \$45,000 | \$52,000           |
| Local  | \$37,500           | \$43,000 | \$45,000           |

Source: NALP's Jobs and JDs, Class of 2012



## Public Interest Employment

| Distribution of Jobs in Public Interest |     |
|---|-----|
| Public Defender                         | 26% |
| Legal Services                          | 29% |
| Policy/Advocacy                         | 21% |
| Community Organization                  | 8%  |
| Other Public Interest                   | 16% |

| Starting Salaries for Public Interest Jobs |          |                    |
|--|----------|--------------------|
| 25 <sup>th</sup> %                         | Median   | 75 <sup>th</sup> % |
| \$40,000                                   | \$44,500 | \$50,000           |

Source: NALP's Jobs and JDs, Class of 2012



## Employment in Business

- 18% of all jobs taken by law school graduates
  - 29% Required Bar Passage
  - 39% Reported as JD Advantage
  - 21% Reported as “Other Professional”

| Starting Salaries for Jobs in Business and Industry |          |                    |
|---|----------|--------------------|
| 25 <sup>th</sup> %                                  | Median   | 75 <sup>th</sup> % |
| \$50,000  | \$65,000 | \$84,000           |

Source: NALP's Jobs and JDs, Class of 2012



## Employment in Academia

| Job Type  | Percentage |                    |
|---|------------|--------------------|
| Law School Research Assistant or Other Temporary Position | 29.3%      |                    |
| Other Law School  | 12.2%      |                    |
| College/University Administration                         | 18.7%      |                    |
| Other College/University                                  | 18.6%      |                    |
| Elementary/Secondary Teacher                              | 11.4%      |                    |
| All Other   | 9.7%       |                    |
| Starting Salaries for Academic Jobs                       |            |                    |
| 25 <sup>th</sup> %  | Median     | 75 <sup>th</sup> % |
| \$40,000  | \$50,000   | \$60,000           |



## Geography and Employment

| Top 10 Cities for Jobs by Percent |                     |
|-----------------------------------|---------------------|
| City                              | Percent of all Jobs |
| 1. New York City                  | 9.05%               |
| 2. Washington, DC                 | 5.56%               |
| 3. Chicago                        | 3.71%               |
| 4. Los Angeles                    | 2.47%               |
| 5. Houston                        | 2.10%               |
| 6. Boston                         | 2.04%               |
| 7. San Francisco                  | 1.65%               |
| 8. Atlanta                        | 1.59%               |
| 9. Philadelphia                   | 1.29%               |
| 10. Minneapolis                   | 1.29%               |

Source: NALP's Jobs and JDs, 2012



## Timing of Employment Offers

| Employer Type       | Before Graduation | After Graduation |
|---------------------|-------------------|------------------|
| All Employers       | 52.4%             | 47.6%            |
| Academic            | 41.5%             | 58.5%            |
| Business            | 41.2%             | 58.8%            |
| Government          | 43.9%             | 56.1%            |
| Judicial Clerkships | 78.6%             | 21.4%            |
| Private Practice    | 56.2%             | 43.8%            |
| Public Interest     | 37.9%             | 62.1%            |

Source: NALP's Jobs and JDs, 2012



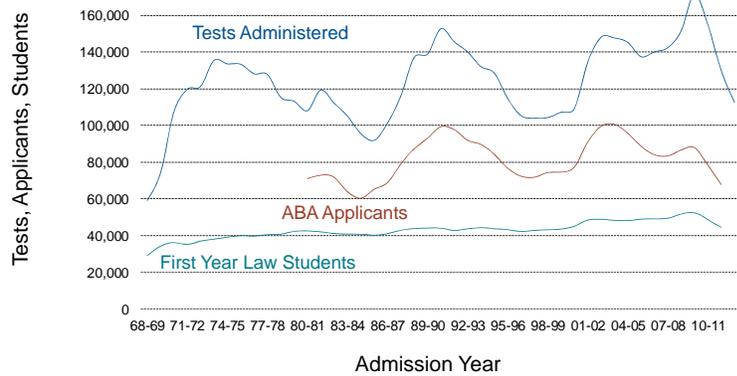
## Job Sources

| Job Source              | Percent |
|-------------------------|---------|
| Self Initiated          | 21.8%   |
| Fall OCI                | 13.9%   |
| Referral                | 19.1%   |
| Job Listing             | 16.7%   |
| Pre-Law School Employer | 7.0%    |
| Self-Employed           | 4.8%    |
| Job Fair/Consortia      | 2.2%    |
| All Other               | 14.5%   |

Source: NALP's Jobs and JDs, 2012



**Tests Administered, Applicants and  
First Year Students  
ABA-Approved Law Schools  
1968-69 THROUGH 2012-13**

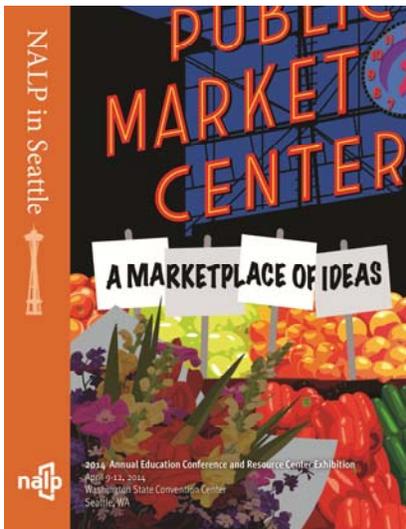


Note: Due to changes in data collection methods, ABA applicant data beginning in 1999-2000 are not directly comparable to prior applicant data.



**NALP in Seattle!**

April 9 – 12!



Be there!



