




The State of the Legal Economy and the Legal Employment Market

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James Leipold, Executive Director

February 21, 2012

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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

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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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## Brave new world?

Coming soon...

*"Law Firm Recruiting Volumes Inch Up, Making Modest Gains After Recession-Era Declines"*  
March 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
- 41,900 Legal Sector jobs 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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## Where Are We Now?

- Demand for legal services flat or falling in 2012
- Consolidation via mergers continues as law firms seek to combine to survive
- Lateral hiring volume is up, though pundits warn that firms are paying too much for key rainmaking partners
- Many law firms ended 2011 with higher revenue & profits per partner than they had reported in several years
- But the growth of law firm expenses is once again exceeding the growth of revenues & further cost cutting looms
- Meanwhile, legal education continues to face an unprecedented wave of skepticism and doubt, and law school applications are down for the second year in a row

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## Impact on the Entry-Level Job Market

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

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## Impact on the Entry-Level Job Market

- Job market for law graduates remains difficult across sectors
- Federal clerkship applications hit record levels
- State court clerkships limited by incumbent clerks, funding
- 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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**Start Dates for Class of 2011  
(Recent Graduates – 2010 Summer Associates)**

Percent starting before December 1, 2011.

Law Firm Size	Percent
701+	80%
501-700	83%
251-500	85%
101-250	82%
100 or fewer	95%
<b>Total</b>	<b>82%</b>

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

Number of Employers Recruiting 3Ls

<b>18% in 2011</b>
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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**National Fall On-Campus Recruiting Levels**

2011 Trends As Reported by Law Schools

Number of Employers on Campus Compared to Previous Year

Decrease of > than 10%:	21%
Decrease of 5-10%:	11%
Change of < than 5%:	29%
<b>Increase of &gt; than 5%:</b>	<b>39%</b>

Number of schools reporting: 141

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**Regional Fall On-Campus Recruiting Levels  
2011 Trends As Reported by Law Schools**

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**Number of Employers on Campus  
Compared to Previous Year By Region**

	% w/ increase of 5% or more	% w/ decrease of 5% or more
Northeast	24%	43%
Mid-Atlantic	24%	24%
Southeast	44%	33%
Midwest	46%	27%
West/Rocky Mountain	44%	35%

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**Regional Fall On-Campus Recruiting Levels  
2011 Trends As Reported by Law Schools**

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**Number of Employers on Campus  
Compared to Previous Year By Size of School**

	% w/ increase of 5% or more	% w/ decrease of 5% or more
< 550	48%	38%
550-750	39%	30%
751-1,000	32%	16%
> 1,000	28%	20%

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**Summer Program Class Sizes**

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**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

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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>
<b>91% in 2011</b>	<b>85% in 2011</b>
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 2013 (OCI 2011, Current 2Ls)

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On-Campus Interviewing Benchmarks

Percent of callbacks resulting in offers

2011:	46%
2010:	41%
2009:	37%
2008:	47%
2007:	60%

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

Median Number of Offers Extended

Firm Size	2011	2010	2009	2008	2007
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
100 or fewer	4.5	3	4	4	4
All Employers	10	9	7	10	15

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

Callback Interviews Resulting in Offers	Offer Acceptance Rate
<b>46% in 2011</b>	<b>37% in 2011</b>
40% in 2010	41% in 2010
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

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### Regional Fall On-Campus Recruiting Levels 2011 Trends As Reported by Employers

Number of Schools Visited by Firms in 2011 Compared to 2010

Region	Decrease	No Change	Increase
Northeast	8%	50%	42%
Southeast	25%	35%	40%
Mid-Atlantic	30%	33%	38%
West/Rocky Mountain	14%	48%	38%
Midwest	25%	39%	35%
<b>Nationwide</b>	<b>21%</b>	<b>41%</b>	<b>39%</b>

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**City Fall On-Campus Recruiting Levels  
2011 Trends As Reported by Employers**

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Number of Schools Visited by Firms in 2011 Compared to 2010

City	Decrease	No Change	Increase
Atlanta	20%	0%	80%
Boston	10%	50%	40%
Charlotte	17%	17%	66%
Miami/Ft.L./WPB	20%	20%	40%
New York	8%	52%	40%
Washington, DC	29%	43%	29%

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**City Fall On-Campus Recruiting Levels  
2011 Trends As Reported by Employers**

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Number of Schools Visited by Firms in 2011 Compared to 2010

City	Decrease	No Change	Increase
Chicago	27%	33%	40%
Dallas	29%	43%	29%
Houston	33%	17%	50%
Minneapolis	20%	60%	20%
Phoenix	0%	67%	33%

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**City Fall On-Campus Recruiting Levels  
2011 Trends As Reported by Employers**

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Number of Schools Visited by Firms in 2011 Compared to 2010

City	Decrease	No Change	Increase
Los Angeles/Orange Co.	5%	58%	37%
Portland	33%	17%	50%
San Francisco	29%	43%	29%
San Jose	0%	40%	60%
Seattle	11%	67%	22%

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## Lateral Hiring Volume

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Change from Previous Year:

- 2007 to 2008, Decreased by 25%
- 2008 to 2009, Decreased by 46%
  
- 2009 to 2010, Increased by 38%
- 2010 to 2011, Increased by 49%

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## Lateral Hiring Volume

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Increase in number of lateral lawyers hired from 2010 to 2011, by lawyer type:

Partners	63%
Associates	17%
<b>Total Increase</b>	<b>49%</b>

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## Legal Employment Market

Employment Rate Nine Months after Graduation

<b>Class of 2010:</b>	<b>87.6%</b>
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

Job Type	2009	2010
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

Employer Types	2009	2010
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

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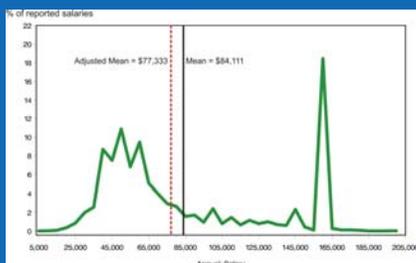
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### Distribution of Reported Full-Time Salaries — Class of 2010




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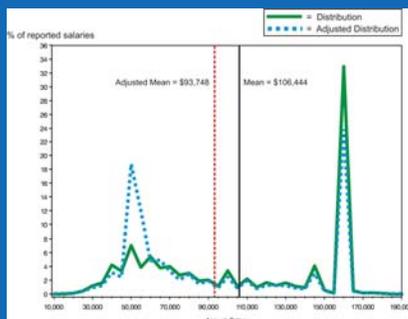
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### Distribution of Reported Full-Time Law Firm Salaries — Class of 2010




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## Private Practice Employment

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### 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%	59%
51-100	4.2%	
101-250	5.6%	
251-500	6.0%	
501+	20.5%	36.3%
Unknown	4.9%	

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

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## Starting Salaries: Private

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### 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, Class of 2010

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## Government Employment

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### 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>25<sup>th</sup></u>	<u>Median</u>	<u>75<sup>th</sup></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, Class of 2010

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## Judicial Clerkships

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Distribution of Clerkships by Level of Government

Federal	37.8%
State	52.2%
Local	8.9%

Starting Clerkship Salaries by Level of Government

Percentile	25 <sup>th</sup> %	Median	75 <sup>th</sup> %
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, Class of 2010

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## Public Interest Employment

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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

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

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

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## Employment in Business

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- 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

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

Source: NALP's Jobs and JDs, Class of 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

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

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## Geography and Employment

<u>Top 10 Cities for Jobs</u>	<u>Percent of All Jobs</u>
1. New York City	9.88%
2. Washington, DC	6.42%
3. Chicago	3.86%
4. Los Angeles	2.77%
5. Boston	2.10%
6. Houston	2.10%
7. San Francisco	1.62%
8. Atlanta	1.44%
9. Philadelphia	1.34%
10. San Diego	1.29%

Source: NALP's Jobs and JDs, 2010

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## NALP 2012 Annual Education Conference & Resource Center

NALP AUSTIN  
 2012 Annual Education Conference & Resource Center Exhibition  
 Nov 1-3  
 Sheraton Austin Hotel  
 Austin, TX

NO LIMITS!

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Questions and Discussion

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