



Feature

Changes in the Economy and its Influence on Law Firms

This article talks about the changes which have been created within Law Firms since the sluggish economy has grown over the past few years. Many firms had to make layoffs and others could not bring on new law student graduates. Firms did not grow as fast in 2008 as they did in 2007. One repercussion will be lower salaries in Law Firms, especially for new hires.

The sluggish economy has created many large layoffs in the law firms but there comes a balance in light of hiring practices. First, Law Firms usually secure graduate law students 2 years before they are scheduled to begin. Second, there is an increasing number of "baby boomers" who are reaching retirement age and this natural attrition leaves opportunities to new hires.

Challenging Events for Law Firms have occurred since the Sluggish Economy Began

- According to the New York Times many Law Firms have lowered their annual bonuses in response to the sluggish economy.
- Reports from Morrison & Foerster LLP indicate in general there will be expectations for salaries to be lower to all staff and lawyers.
- Automatic pay raises will not be the norm.
- The current economic slowdown is expected to end yearly pay raises to associates, "junior lawyers."
- It is expected that law firms will be more inclined to give merit pay to associates during the sluggish economy. This gives Law Firms more freedom to raise fewer associate salaries, with savings as a result.
- The total number of associates at Firms has declined. Several Law Firms in the past year or two have terminated associate lawyers.
- As the sluggish economy slowly recovers, many law firms may react by keeping their ratios of partners to associates low expecting this leverage to keep costs down.
- Some Firms have been hurt more than others. It has been difficult for lawyers who practice in real estate and house closings.

- Three thousand plus attorneys have lost their positions since January in the year of 2008.
- New Graduate hires have seen hire dates delayed in light of the sluggish economy but many have been offered a smaller pay rate. Other new graduates are assigned to pro bono work usually done by the firm that hired them. Again, they may be doing the work for a smaller pay rate.

An Upswing in some Firms during the Economic Downturn

- Sixty percent of the bankruptcies are filed because of medical bills. The average family cannot typically sustain the loss of wages from an unforeseen accident or extended illness. This means bankruptcy filings have kept many attorneys busy during the past year and a half.
- Many Firms have found creative avenues to cut costs and still provide quality service. Economic indicators give the Firms hope of seeing a slight increase in the economy at the end of 2009. Hoping for the best is always allowed and preparing for the worst with alternative plans can be smart business.
- Some pockets of the legal practice saw a slight growth despite the economy.
- The sluggish economy has given many firms the opportunity to save money by renegotiating fees paid to outside counsel. Firms have the time to look for other lawyers or businesses to do the same service for less.

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