Briefs

INVESTING ■ HIRING ■ JOB GROWTH ■ IN MEMORIAM

Survey: Firms See Changes, Yet Not Investing in Future

There is broad consensus among law firm leaders on the changing nature of the U.S. legal market in 2014, as well as an emerging gap between larger firms and smaller firms in their response to those changes, according to the sixth annual Law Firms in Transition Survey.

"Many firms, especially firms with fewer than 250 lawyers, are not making sufficient investments in a future they acknowledge will be different – and different in seemingly predictable ways," says Altman Weil principal and survey co-author Tom Clay.

Large majorities of law firm leaders responding to the survey agree that greater price competition, practice efficiency, commoditization of legal work, competition from nontraditional service providers, and non-hourly billing are all permanent changes in the legal landscape. For the most part, these are changes that have been imposed upon them from without – from more demanding clients and more competitive newcomers who are challenging the rules of legal service delivery.

When asked about the most likely change agent in the legal market over the next 10 years, 34 percent of law firm leaders identified corporate law departments as the force most likely to lead change; 32 percent chose technology innovation; and, 15 percent selected non-law-firm providers of legal services. Only 10 percent of respondents believe that law firms will take the lead in reinventing the legal market.

Firm leaders also agree on the consequences of the shifting marketplace, although with less unanimity. Most expect to see smaller annual billing rate increases, fewer equity partners, more part-time and contract lawyers, reduced leverage, and slower growth in profits per partner.

On issues of strategic change, this year's survey showed larger firms (those with 250 or more lawyers) clearly doing more than their smaller-firm colleagues.

Nearly half of all firms with 250 or more lawyers report changing their strategic approach to pricing, while only 22 percent of firms with 50 to 249 lawyers are doing so. In the area of efficient legal service delivery, 54 percent of the large firm group are pursuing change, compared to 34 percent of the smaller firms. On lawyer staffing strategy, 59 percent of larger firms report making significant changes as opposed to 41 percent of the smaller firms.

Larger firms were somewhat more likely to be driven by long-term considerations. Mega-firms – those with 1,000 or more lawyers – clearly broke from the pack on this question. Eighty-six percent of that group indicated that their decision-making is long-term in nature and designed to lock in clients.

Clay cautions smaller firms to take note: "Regardless of the reasons, once one segment of the market starts moving toward a new more client-focused model and resetting market expectations, other firms will need to fall in step or they will inevitably fall behind." ■

Hiring Expected to Increase in Second Half of Year

The legal field should see more hiring activity in the second half of 2014, a study from Robert Half Legal indicates. Twenty-nine percent of lawyers interviewed by Robert Half Legal said their law firm or company plans to expand or add new positions in the next six months, up slightly from a prior hiring survey conducted six months ago.

Forty-two percent of lawyers expect litigation to generate the greatest number of legal job opportunities in the second half of 2014. Within the litigation practice area, insurance defense was cited by 31 percent of lawyers as the leading driver of job growth, followed by commercial litigation (30 percent).

Fifty-two percent of lawyers said they expect to only fill vacant posts, while 10 percent said they would neither fill vacant positions nor create new ones. Just two percent of respondents anticipate staff reductions in the next six months.

More than half (56 percent) of respondents cited at least some challenge in finding skilled legal professionals. Volkert noted that employers are becoming more exacting in the expertise they require, making the task of finding legal specialists with sought-after skills even more difficult. “Increasingly, partners and general counsel need outside help to staff these hard-to-fill positions,” he said.

Employers are placing significant weight on experience and personal recommendations when recruiting candidates. Nearly half (49 percent) of respondents said previous work experience or prestige of a former law firm or company are the best indicators of a job applicant’s potential for success in their organizations. Twenty-one percent of lawyers pointed to a referral from a current employee or member of their networks as the primary indicator of success. “Top law firms and companies attract top talent so having prior work experience with an organization known for hiring great people can be an asset on a resume,” said Volkert.

Hiring is not the only personnel concern for legal organizations. Retention also is high on their list of priorities, with nearly one-third (32 percent) of lawyers expressing concern about losing top performers to other job opportunities. Employers who are concerned with recruiting and retaining top legal talent may want to examine their compensation packages: Half (50 percent) of lawyers surveyed said increased compensation or bonuses provide the greatest incentive for legal professionals to remain with an employer. ■

Philadelphia Lagging Behind the Nation in Job Growth

Job growth in the Philadelphia market area, which includes the city and surrounding counties in Pennsylvania and Southern New Jersey, has lagged behind the rest of the U.S. for more than three years.

After a milder recession compared to the U.S., Philadelphia’s recovery is continuing to lag behind the rest of the nation’s. The area’s lack of cyclical growth drivers, particularly in manufacturing and high-tech, appear to constrain the upside. The area’s mild housing market downturn and poor demographics also mean less of an upswing in homebuilding and house prices.

One positive is less drag from government budget cuts at the federal and local levels as the emphasis on deficit reduction fades with an improving economy. Also, office construction is picking up, including plans for a second skyscraper for local powerhouse Comcast. But job and income growth will likely remain below the national average in the near term. This will also likely limit the rebound in industries tied to consumer spending, including retail trade and leisure/hospitality services.

The state is set to award a license for a second casino in

IN MEMORIAM

Barbara Cushman Waxler
June 3, 2013, Age 82

William G. Young
May 22, 2014, Age 53

William C. Yager
June 4, 2014, Age 87

Rubin Mogul
June 27, 2014, Age 90

David Cohen
July 5, 2014, Age 90

Mary Elizabeth Luce
July 8, 2014, Age 55

Robert F. Rossiter Sr.
July 17, 2014, Age 82

Martin J. Corr
July 28, 2014, Age 77

Robert H. Zimmerman
Aug. 11, 2014, Age 81

F. Emmett Fitzpatrick Jr.
Sept. 2, 2014, Age 84

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Have you considered a contribution to the Philadelphia Bar Foundation in memory of a deceased colleague? For information, call Jessica Hilburn-Holmes, Executive Director, at 215-238-6347.

Philadelphia in 2014. Building a new casino would help support construction employment in the short run, and additional gaming would create permanent jobs in tourism, especially if the casino includes a hotel. One downside risk is that the process of awarding a license could be delayed by legal challenges. Another is potential federal budget cuts: the area is home to many federal facilities and defense contractors, and further reductions in spending would likely be a major drag on economic growth in the area.

Over the longer run, the area's important concentrations in education/health services and finance should help provide protection against national recessions, but also may limit gains during expansions. Consolidation in the key pharmaceuticals industry may also be a restraint on growth. Philadelphia is lagging the U.S. in employment in well-paying cyclical industries, including high-tech industries that would help support long-run job and income gains. Weak long-run population growth will also likely deter investment in the area. Economic growth in Philadelphia is expected to be below average over the long term, although incomes are likely to remain above the national average. ■
