





Seeing Through the Storm

As employees respond to disheartening economic and legal industry news, legal administrators and firms' HR professionals are working to keep operations – and spirits – afloat.

BY ERIN BRERETON

The struggling economy has meant less work for many law firms – including Norton Rose, which employs more than 1,000 attorneys in offices across Europe, the Middle East, and Asia.

Recently, during general planning, Norton Rose looked at its number of current trainees – akin to associates in U.S. firms – and the amount set to start in the next 18 months. The firm quickly realized that it was about to have an excess of new talent.

“We’re not immune to what’s going on in the world. The economy has had some effect,” said Lak Purewal, the firm’s Head of Human Resources (HR). “We wanted to make sure those who came on board had a meaningful training experience – [which they may not have had] due to existing business levels.”

The firm wanted to ensure that it continued to have trainees starting throughout the year, “just not as many as we originally intended,” said Purewal.

So, Norton Rose contacted all future trainees and made them an offer: Defer your start date for up to a year and receive a grant of up to £10,000, as well as time to gain additional experience. Norton Rose has also offered to help connect trainees who are interested in deferring their employment with the firm with work-related opportunities; they’re also allowed to design their own experiences. Trainees who accept the offer will start in either September or January, the two months in which trainees typically start at the firm.

The program is still new – but, so far, it has been a success.

“The responses that we’ve had have been quite thoughtful,” said Graduate Recruitment Manager Karen Potts. Some trainees may opt to work in one of the firm’s 24 international offices. Others have expressed an interest in pro bono work, pursuing a master’s program in law, or interning with one of the firm’s clients.



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A BARRAGE OF BAD NEWS

News of the declining economy isn't hard to find – and reports about struggling law firms aren't too hard to find, either.

In addition to the reports about law firms frantically reducing costs, layoffs have been rampant. More than 1,100 lawyers lost their jobs on a single Friday in February 2009.

"The legal industry has been able to avoid some of the layoffs over the years during tough times, and we found that law firms aren't recession-proof this time," said Karen Whitman, Legal Practice Director at The Mergis Group, a placement firm specializing in the legal, finance, and human resources industries. "Newspapers are reporting it about as fast as it's happening."

The result at many firms: Panicked attorneys and legal administrators.

Although SmithAmundsen LLC, a 100-plus-attorney firm in Chicago, hasn't had to lay off employees or hold off on hiring, Director of Human Resources and Professional Development Molly O'Gara says its staff is still nervous – particularly younger attorneys, whose peers may be more affected.

"They usually come in because of a personal experience, a cousin or friend laid off," O'Gara said. "Employees are constantly hearing about [layoffs at] other firms. We get a lot of panic, even though our chairman is really good about being proactive and sending e-mails about the state of the firm."

The often-negative industry news is posing a unique set of problems for law firm HR departments. Some say it's not uncommon now to see tearful employees filter in daily, begging for proof that their firm is on solid footing.

Many firms are. Others may be facing some necessary cost cuts. Either way, it's important to make sure your staff knows that a reduction in business at your firm or at other firms doesn't always mean that all employees' heads are about to hit the chopping block – because that fear can bring a firm to a standstill.

"Locally, in Minneapolis, we're seeing layoffs," Whitman said. "That's what HR people are talking about: How do you move on and make sure work is still getting done?"

REIGNING IT IN

Although some of the economically inspired changes firms are instituting may make employees worry, some are necessary operational alterations, according to Rahul D. Yodh, an executive recruiter who leads the legal specialty practice at executive search and recruiting firm Kaye/Bassman International.

"Firms are taking the opportunity to cut the fat," Yodh said. "Over the past three years, the economy was good, and law firms were hiring at a breakneck pace, raising salaries to unheard levels."

First-year associate salaries grew to from \$110,000 to \$125,000 a year to \$160,000 in a matter of months, according to Yodh.

"Firms were fighting for talent with investment banks and other deep-pocket industries," he said. "There's been a bit of a backlash from that."

Firms are taking several steps to reduce expenses and increase revenues, including:

- **Shrinking Staff.** Some HR departments have instituted substantial layoffs. If the number of attorneys at a firm decreases, it's likely

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that the administrative staff will also decline. Support staff levels are “dependent upon the head count of attorneys,” Yodh said. “If you’re talking about an 800- to 900-attorney firm, and you adjust the ratio, there’s going to be a lot of collateral damage.” Letting a staff member go can save a firm \$100,000; an attorney can save it \$250,000, according to Yodh. HR departments also are looking for different job candidates. “Many firms are not hiring associates at all,” Yodh noted. “If one leaves, that’s fine; they don’t want to replace that person. What they are doing is coming to me to find them senior-level partner candidates who have client lists to bring with them that will automatically improve the firm’s bottom line.”

- **Cutting General Costs.** In some cases, legal departments are becoming part of the furloughs that companies are now experiencing, in which the companies shut down for a week to save on operational costs like electricity, according to Whitman. “At companies where they have an internal legal department, we haven’t heard much of that [traditionally],” she said. “In the past, it might have been just factory workers. Now, it’s everyone.” Other firms are looking to take advantage of the lower prices that the current economy offers. Lyons, Pipes & Cook, a 28-attorney firm in Mobile, Alabama, currently rents space to store rarely accessed files across the street from its main office. Recently, the firm decided it would be more cost-effective to rent space down the street because it will allow the firm to re-price its rental costs to save about \$9 a square foot. “There are opportunities out there as a

result of the current economy,” said David Constantine, Administrator at Lyons, Pipes & Cook and a Past President of the Association of Legal Administrators.

- **Adjusting Salaries.** “Most big firms give associate attorneys a \$10,000 to \$15,000 raise and bonus at the end of year,” Yodh said. “But a lot of firms are freezing salaries.” That doesn’t mean planning committees or HR representatives are freezing attorneys’ career trajectories, however. “You will move up in terms of the track in the firm and move toward partnership, but will remain at the salary level from 2008,” Yodh said.
- **Delaying Start Dates.** Like Norton Rose, many firms “are watching expenses” related to hiring, according to Whitman. Some HR departments are seeing less of a need for summer associates, or associates are working for a shorter time period at the firm. “They might have six weeks this summer instead of 12 weeks,” she said.
- **Studying the Market.** Yodh says firms have recently asked him to conduct salary surveys and to research what their competitors pay. “Firms – especially mid-sized firms – come to me and say, ‘What’s the market for my people right now? Because we’re struggling, but I don’t want them to leave,’” he said. Industry research can help HR professionals come up with compensation packages that are fair compared to those in other firms in its fields and local markets. Client needs also play a part. If a firm is able to continue to bill its clients the same amount, employee salaries should remain more constant, despite

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the economy. "Until that changes, they're not going to pay their people less," Whitman said. "The bottom line is [that] they still want the best people."

- **Backing Off Bonuses.** At some firms, productivity-based bonuses – the automatic \$10,000 to \$50,000 associates or senior attorneys qualify for when they bill a certain number of hours – are being replaced by a completely discretionary bonus system, according to Yodh. "You may get one at end of year – but don't count on anything," he said. However, firms that are thriving can send a strong message to concerned employees by continuing any traditional bonus programs. Lyons, Pipes & Cook believed it was important to acknowledge its team of employees for a job well done. "The firm's philosophy is to reward the staff as well as the timekeepers in good years, and 2008 was no exception," Constantine said. "It sent the signal that, while the news is full of gloom and doom, our firm is expecting better than average results in 2009, a great deal of which is attributable to our staff." SmithAmundsen also hasn't cut any of its incentives. It went forward with its annual holiday party and plans to hold a staff appreciation week in April. The continued perks and payouts do wonders to calm fears and improve employee confidence, according to O'Gara. "As a firm, the fact we haven't had layoffs, and we pay increases and bonuses – that's all need they hear," she said.

HR'S MORALE MISSION

The economy has taken a toll on many industries – including the legal profession – but litigation

remains strong, according to Whitman. "There's still a lot of work out there," she said.

Some regional markets are also avoiding the economic downturn.

"There are definitely pockets of great firms doing fine or maintaining the status quo," O'Gara said.

In Mobile, Alabama, because several new facilities are bringing jobs and business to the area and the unemployment rate is extremely low, the legal industry is not only surviving, but holding its own, according to Constantine.

"I have not heard of one firm in this city that has experienced a downturn or really even a blip yet," he said. "That could be coming, but firms our size are just not seeing it right now." Area firms are operating "under a cautiously optimistic tone," according to Constantine.

As the economy continues to struggle, many firms may falter – but many still will be able to weather the current market.

"If firms are running lean operations, have not overpaid partners and associates, are operating on a cash basis, and are nimble, they will be fine," Constantine said.

However, if your firm has fallen on tough economic times, communication is key – and it needs to come from HR and other firm leaders. It's especially important for firms with multiple offices to remain transparent about big decisions.

"Senior leadership [in many cases] is going from office to office, city to city, to meet and openly communicate what is going on instead of letting associates hear about layoffs in a blog or newspaper," Yodh said. "They're holding firmwide meetings to make sure everybody knows what's happening and that it's a measure to save your job."

Job protection is a crucial message to send to frazzled employees.

"[The first salary freezes and layoffs] were a new event for lawyers," Yodh said. The legal profession had not historically seen mass layoffs. Many questioned whether firms that altered salaries and cut employees would have a hard time attracting employees in the future because of permanently damaged reputations.

But now, after several months of layoffs and bad market news, many employees are just happy to have jobs – and they're looking to HR representatives and firm leadership to guide them through the current economic storm.

"As fewer and fewer jobs were in the marketplace, a lot of attorneys started saying 'I'd rather have a freeze in salary or reduction in my bonus so I can have a job,'" Yodh said. "[They're saying], 'I'll take one for my team so the firm can save jobs – and hopefully, in a few years, we'll be out of this.'" ✱

about the author

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