NAPLA 2009
Legal Employment Trends for Law School Graduates

Presented by
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June 13, 2009

The National Economy

- Dramatic global economic slowdown
- Subprime mortgage defaults triggered global credit crisis
- Partial collapse of banking, investment, finance, and auto industries
- US stock markets declined by more than 50%
- 2.6 million US jobs lost in 2008
- 5.8 million US jobs lost since December 2007
- US unemployment reached 9.4% (May 2009), a 25-year high
The Legal Economy: Jobs

- 25,500 legal sector jobs were lost between May 2008 and May 2009
- 14,400 legal sector jobs lost so far in 2009
- Law firms continue to lay off attorneys
- Growing number of law firm staff layoffs, including NALP colleagues
- Four prominent law firms have dissolved

The Legal Economy: Law Firm Financial Picture

- Difficult legal economy predicted at least through 2009
- Law firm financials flat or down in 2008
- Profits per partner down as much as 30%
- Year-end collections were difficult
- Longstanding institutional clients dissolved
- In-house counsel cut legal spending for outside counsel
The Legal Economy:
Law Firm Financial Picture

- Continued market consolidation (mergers)
- Law firm credit lines harder to secure
- Law firms continue to shrink equity ranks
- Pressure to cap billing rates, find alternative fee arrangements
- Managing partners report record low confidence in the legal economy
- Firms struggle to continue to cut expenses

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The Legal Economy:
Hiring & Compensation

- Large law firm trimmed 2008 bonuses
- Many law firms froze 2009 salaries at 2008 levels
- Some law firms have reduced 2009 starting salaries (and more will follow)
- Many 2009 associate start dates deferred
- Lateral associate hiring on hold
- Partner defections accelerate

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The Legal Economy: Bright Spots

- Bankruptcy & regulatory work pick up
- Securities litigation picking up
- Federal government hiring lawyers
- Pro bono hours way up in down economy
- Legal economic downturn not as severe as other industries
- Smaller firms with lower rates thriving
- Surviving firms likely to be better managed

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The Legal Economy: More Changes to Come

- Survival of the billable hour?
- Two tracks for associates?
- Leaving lock step advancement behind?
- Merit based bonuses?
- Decline of two-tier partnerships?
- Abandonment of partnership structure?
  → New law firm economic model may emerge

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The Legal Economy: Legal Aid Groups Also Face Crisis

- IOLTA (Interest on Lawyers Trust Accounts) programs generate funds that are used to support legal aid
- Falling interest rates have dramatically reduced funds available
- Many legal aid society budgets, staffing cut by 20% or more
- Requests for legal assistance up by 30% or more

Legal Employment Market

Class of 2007

- Highest employment rate (92%) of any class in 20 years
- Record high starting salaries
- Entered job market when economy was still strong
- Some lost jobs in subsequent layoffs
Legal Employment Market

Class of 2007 Starting Salaries

Median Salary: $65,750  
Average Salary: $86,400  
Median Firm Salary: $108,500  
Prevailing Large Firm Salary: $160,000

Source: NALP’s Jobs and JDs, 2007

What Law Grads Really Earn

![Distribution of Full-Time Salaries - Class of 2007](image)
Legal Employment Market

Employment Rate Nine Months after Graduation

<table>
<thead>
<tr>
<th>Class</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class of 2008</td>
<td>89.9%</td>
</tr>
<tr>
<td>Class of 2007</td>
<td>91.9%</td>
</tr>
<tr>
<td>Class of 2006</td>
<td>90.7%</td>
</tr>
<tr>
<td>Class of 2005</td>
<td>89.6%</td>
</tr>
<tr>
<td>Class of 2004</td>
<td>88.9%</td>
</tr>
<tr>
<td>Class of 2003</td>
<td>88.9%</td>
</tr>
<tr>
<td>Class of 2002</td>
<td>89.0%</td>
</tr>
<tr>
<td>Class of 2001</td>
<td>90.0%</td>
</tr>
<tr>
<td>Class of 2000</td>
<td>91.5%</td>
</tr>
<tr>
<td>Class of 1999</td>
<td>90.3%</td>
</tr>
<tr>
<td>Class of 1998</td>
<td>89.9%</td>
</tr>
</tbody>
</table>

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Legal Employment Market

Class of 2008

• Impact on class of 2008 mitigated by timing
• Many offers of full-time employment received before economy collapsed
• Subsequent slowdown coincided with entry into workforce
• Some rescinded offers reported
• More common: delayed start dates
• Some in this class have already been laid off

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Law Students and Law Schools

Class of 2009

• Fewer offers from law firm summer programs
• Public service hiring compromised by IOLTA funding crisis, falling interest rates
• Fewer federal, state clerkships available
• Government opportunities uncertain
• Firms offering delayed start dates, public interest placements and other compensation

Law Students and Law Schools

Class of 2010

• Number of fall 2008 campus visits fairly stable
• Fewer callback invitations, smaller summer classes at the largest firms
• Employment offers were accepted very quickly
• Few summer offer rescissions, but caution about summer class size and future prospects
• Firms announce shorter summer programs
• Staggered/delayed start dates likely
Law Students and Law Schools

Class of 2011

• Number of summer and fall 2009 campus visits expected to decrease
• Fewer callback invitations and offers at the largest firms expected
• Smaller summer classes expected again
• Collision of the classes of 2009, 2010 & 2011 in the marketplace

Law Students and Law Schools

Classes of 2012 and beyond

• Traditional playbook is dated
• Potential growth in small-medium-sized private employers
• Focus on secondary markets, particularly those situated within proximate reach to metropolitan areas
Law Students and Law Schools

To be or not to be lawyer?

Classic question yields contemporary analysis.

- Short-term versus long-term opportunities and benefits

Can students still find themselves in law schools?

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Law Students and Law Schools

What has changed?: “It’s the economy, darling.”

- Market correction more pronounced
- Incorporates practices areas beyond securities, financing/banking, real estate
- Eroding traditional hiring cycles and the fundamentals of most large firms corporate structure

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Law Students and Law Schools

↑ Increased CSO counseling demand
↓ Law schools (public and private) similarly face budget cuts and decreased resources
↓ Potential decrease student loan availability, bar loan availability

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International Contraction

Latin America: restricting business in Miami legal market

Canada: Hold pattern; reductions began 2009

Australia: Reductions and salary cuts

Asia: Erratic growth

Europe: UK legal market: magic circle firms contracting; similar trends in EU neighbors and collapse more pronounced in Eastern/Central countries.

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Geography and Employment

<table>
<thead>
<tr>
<th>Top 10 Cities for Jobs</th>
<th>Percent of all Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. New York City</td>
<td>9.83%</td>
</tr>
<tr>
<td>2. Washington, DC</td>
<td>5.92%</td>
</tr>
<tr>
<td>3. Chicago</td>
<td>4.73%</td>
</tr>
<tr>
<td>4. Los Angeles</td>
<td>3.05%</td>
</tr>
<tr>
<td>5. Boston</td>
<td>2.18%</td>
</tr>
<tr>
<td>6. Houston</td>
<td>2.05%</td>
</tr>
<tr>
<td>7. San Francisco</td>
<td>1.84%</td>
</tr>
<tr>
<td>8. Atlanta</td>
<td>1.82%</td>
</tr>
<tr>
<td>9. Philadelphia</td>
<td>1.57%</td>
</tr>
<tr>
<td>10. Minneapolis</td>
<td>1.40%</td>
</tr>
</tbody>
</table>

Source: NALP’s Jobs and JDs, 2007
### Job Sources

- Fall OCI: 22.6%
- Self Initiated: 22.3%
- Referral: 15.4%
- Job Listing: 14.0%
- Pre-Law School Employer: 6.5%
- Self Employed: 2.7%
- Job Fair/Consortia: 2.8%
- All Other: 15.6%

Source: NALP’s Jobs and JDs, 2007

### Timing of Employment Offers

<table>
<thead>
<tr>
<th>Employer Type</th>
<th>Before Graduation</th>
<th>After Graduation</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Employers</td>
<td>66.3%</td>
<td>33.6%</td>
</tr>
<tr>
<td>Academic</td>
<td>51.6%</td>
<td>48.4%</td>
</tr>
<tr>
<td>Business</td>
<td>51.3%</td>
<td>48.7%</td>
</tr>
<tr>
<td>Government</td>
<td>57.4%</td>
<td>42.2%</td>
</tr>
<tr>
<td>Judicial Clerkships</td>
<td>84.5%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Private Practice</td>
<td>71.0%</td>
<td>29.0%</td>
</tr>
<tr>
<td>Public Interest</td>
<td>49.5%</td>
<td>50.5%</td>
</tr>
</tbody>
</table>

Source: NALP’s Jobs and JDs, 2007
Employment Market

Initial Employer Types for the Class of 2007

Private Practice: 55.5%
Business and Industry: 14.1%
Government: 10.7%
Judicial Clerkships: 9.8%
Public Interest: 5.8%
Academic Careers: 1.8%
Military: 1.0%

Source: NALP’s Jobs and JDs, 2007

Private Practice Employment

Employment in Law Firms by Size of Firm

<table>
<thead>
<tr>
<th>Size of Firm</th>
<th>Percent of Private Practice Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solo</td>
<td>2.8%</td>
</tr>
<tr>
<td>2-10</td>
<td>31.3%</td>
</tr>
<tr>
<td>11-25</td>
<td>9.1%</td>
</tr>
<tr>
<td>26-50</td>
<td>5.7%</td>
</tr>
<tr>
<td>51-100</td>
<td>5.5%</td>
</tr>
<tr>
<td>101-250</td>
<td>8.2%</td>
</tr>
<tr>
<td>251-500</td>
<td>8.8%</td>
</tr>
<tr>
<td>501+</td>
<td>23.0%</td>
</tr>
<tr>
<td>Unknown</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

Source: NALP’s Jobs and JDs, 2007
Starting Salaries: Private

Median Starting Salaries by Size of Law Firm

<table>
<thead>
<tr>
<th>Size of Law Firm</th>
<th>Median Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-10</td>
<td>$53,000</td>
</tr>
<tr>
<td>11-25</td>
<td>$65,000</td>
</tr>
<tr>
<td>26-50</td>
<td>$75,000</td>
</tr>
<tr>
<td>51-100</td>
<td>$90,000</td>
</tr>
<tr>
<td>101-250</td>
<td>$115,000</td>
</tr>
<tr>
<td>251-500</td>
<td>$140,000</td>
</tr>
<tr>
<td>501+</td>
<td>$160,000</td>
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</table>

Source: NALP’s Jobs and JDs, 2007

Government Employment

Distribution of Jobs by Level of Government

<table>
<thead>
<tr>
<th>Level of Government</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Federal</td>
<td>28.5%</td>
</tr>
<tr>
<td>State</td>
<td>31.6%</td>
</tr>
<tr>
<td>Local</td>
<td>38.6%</td>
</tr>
</tbody>
</table>

Starting Salaries by Level of Government

<table>
<thead>
<tr>
<th>Level of Government</th>
<th>25th%</th>
<th>Median</th>
<th>75th%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>$50,000</td>
<td>$56,000</td>
<td>$66,000</td>
</tr>
<tr>
<td>State</td>
<td>$40,000</td>
<td>$44,000</td>
<td>$52,000</td>
</tr>
<tr>
<td>Local</td>
<td>$45,000</td>
<td>$50,000</td>
<td>$56,000</td>
</tr>
</tbody>
</table>

Source: NALP’s Jobs and JDs, 2007
Judicial Clerkships

Distribution of Clerkships by Level of Government

- Federal: 36.7%
- State: 52.5%
- Local: 10.3%

Starting Clerkship Salaries by Level of Government

<table>
<thead>
<tr>
<th>Percentile</th>
<th>25th%</th>
<th>Median</th>
<th>75th%</th>
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<td>Federal</td>
<td>$52,000</td>
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<tr>
<td>State</td>
<td>$39,000</td>
<td>$42,500</td>
<td>$48,000</td>
</tr>
<tr>
<td>Local</td>
<td>$35,000</td>
<td>$39,000</td>
<td>$42,500</td>
</tr>
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Source: NALP’s Jobs and JDs, 2007

Public Interest Employment

Distribution of Jobs in Public Interest

- Public Defender: 36.4%
- Legal Services: 28.9%
- Policy/Advocacy: 14.0%
- Community Org.: 6.4%
- Other Pub. Int.: 13.9%

Starting Salaries for Public Interest Jobs

<table>
<thead>
<tr>
<th>25th%</th>
<th>Median</th>
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Source: NALP’s Jobs and JDs, 2007
Employment in Business

• 14.2% of all jobs taken by law school graduates
  • 34% Required Bar Passage
  • 30% Report JD Preferred
  • 27% Reported as "Other Professional"
  • 14% In-House Legal Jobs
  • 12% Working for Legal Temp. Agencies
  • 10% Banking/Finance

Starting Salaries for Jobs in Business and Industry

<table>
<thead>
<tr>
<th>25th%</th>
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<td>$55,000</td>
<td>$69,000</td>
<td>$90,000</td>
</tr>
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Source: NALP’s Jobs and JDs, 2007

Employment in Academia

Jobs in Academic Settings
Law Faculty/Administration: 16.4%
Other Higher Education: 35.9%
Other Academic: 47.6%

Starting Salaries for Academic Jobs

<table>
<thead>
<tr>
<th>25th%</th>
<th>Median</th>
<th>75th%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$40,000</td>
<td>$45,000</td>
<td>$55,000</td>
</tr>
</tbody>
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Source: NALP’s Jobs and JDs, 2007
Opportunities

Viewpoint

Questions and Discussion

Contact Information

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