

# **LexisNexis**

# **State of the Legal Industry Survey**

## **Complete Survey Findings**

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# Research Objectives

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The State of the Legal Industry Survey, commissioned by LexisNexis, was conducted by TNS to generate insights and identify trends about the future of the legal business model.

Specifically, the study sought to:

- Gather lawyers' and students' perceptions of the current state of the U.S. legal industry
- Understand lawyers' beliefs about what the future holds for American law firms and legal professionals
- Gauge law students' attitudes toward entering the legal profession in today's economy

# Methodology

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- A survey was conducted among a sample of 450 lawyers (300 private practice attorneys and 150 corporate counsel) and 100 law students in the U.S.
- The study was conducted using the field services of TNS (Taylor Nelson Sofres) from October 26, 2009 to November 6, 2009.
- Interviews were conducted online for the total sample of lawyers. A combination of online and telephone was implemented for law students.
- The margin of sampling error at the 95% level of confidence is  $\pm 4.6$  for total lawyers (N=455) and  $\pm 9.8$  for total students (N=100). This means that if we were to replicate the study, we would expect to get the same results (within 4.6 percentage points for lawyers and 9.8 percentage points for students) 95 times out of 100.
- Throughout this report, an asterisk ‘\*’ next to a number indicates a difference from the corresponding audience that is significant at the 95% level of confidence.

# Executive Summary

# Executive Summary

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The national survey, commissioned by LexisNexis, is the first of its depth and breadth to be conducted on the legal industry since the start of the economic crisis. Of the 550 respondents polled, 300 were private practice attorneys, 150 were in-house corporate counsel and 100 were law school students.

## **Corporate counsel say law firms are not doing enough to respond to the economic downturn**

- 71% of corporate counsel responded that law firms today are not doing enough to respond to the current financial pressures on their business model
- Almost half the in-house counsel polled (46%) say they have requested rate cuts, yet less than one in five (18%) private practice attorneys say their law firms have reduced bill rates
- Only 38% of corporate counsel believe that law firms are being responsive on changing fees and costs given the current economic recession
- 69% of corporate counsel have shifted work in-house since the start of the economic downturn; 56% have reduced spend on outside counsel

## **Private practice attorneys say clients are too focused on costs, at the expense of quality and results**

- Over half of corporate counsel surveyed (58%) say they believe law firms are too profitable; however, most private practice attorneys (77%) believe their clients are too focused on reducing costs, at the expense of quality and long-term results
- According to the survey, private practice attorneys say their firms have taken a number of steps in 2009 to respond to the changed economic climate: 43% have conducted layoffs; 41% say their firms have offered alternative fee arrangements; 33% have implemented hiring freezes; 29% have deferred start dates; and 26% have reduced salaries since the start of the economic downturn

# Executive Summary

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## **Opinions are split on the future of the legal industry**

- 53% of corporate counsel and 52% of private practice attorneys believe the recession will permanently change the way business is done in the legal industry
- 57% of corporate counsel believe the billable hour will give way to alternative billing arrangements
- More than half of corporate counsel responded that they will shift work in-house (57%) and reduce the amount of their total spend on outside counsel (55%) in 2010
- When asked what actions their law firm is most likely to take in 2010, the top two responses among private practice attorneys were: conduct layoffs (18%) and defer start dates for new hires (18%)

## **The next generation of lawyers feel ill-equipped for the business of the law; many are considering alternatives to a career in law**

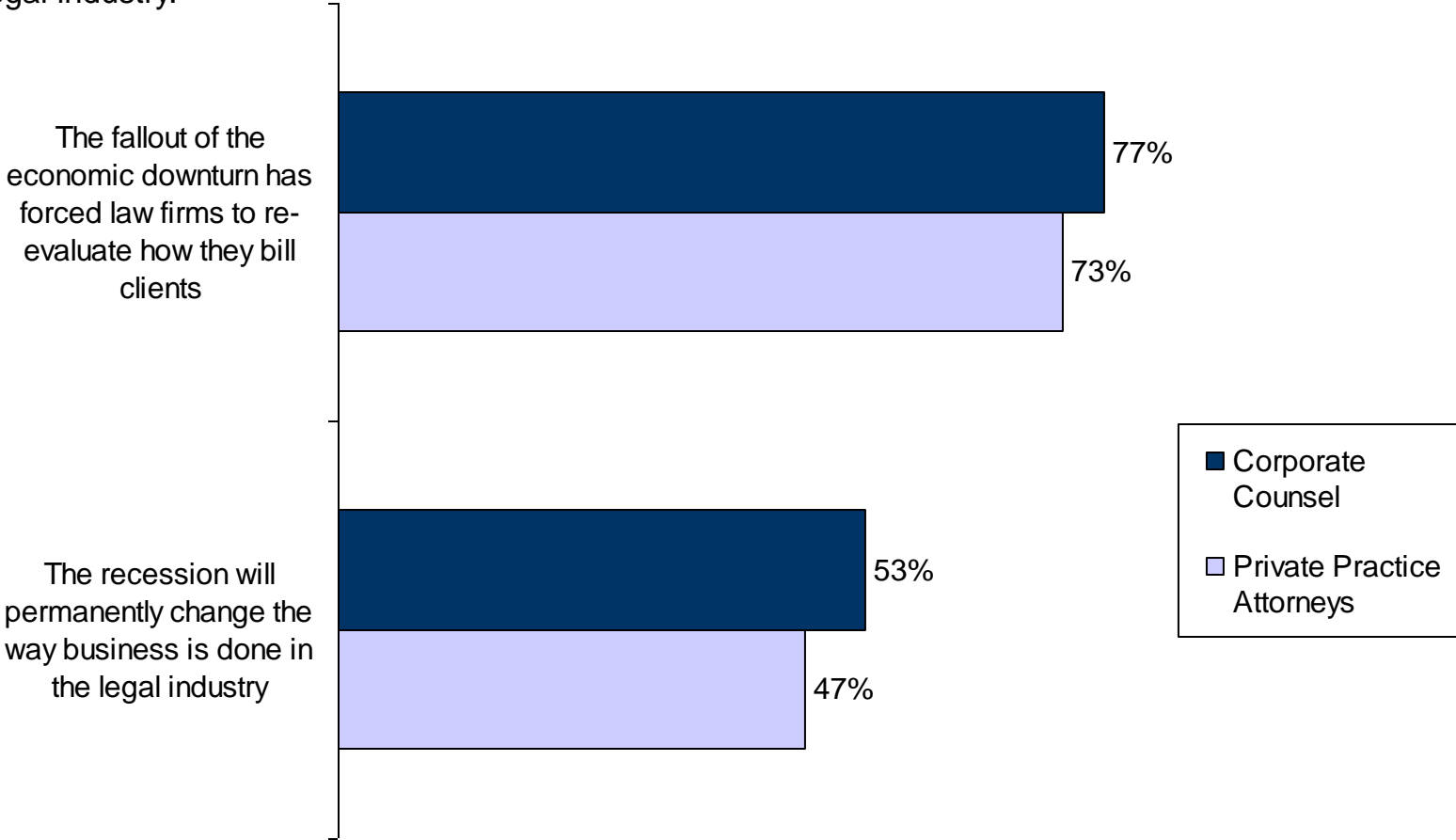
- According to the survey, 65% of law school students (and 90% of lawyers) said that law school does not teach the practical business skills needed to practice law in today's economy
- 35% of law school students responded that they do not feel adequately prepared to succeed in the changing legal marketplace
- One fifth (21%) of students say they regret attending law school

# Detailed Findings

# Lawyers' Perceptions

# Lawyers agree the recession has had an impact on the legal industry and as a result, changed the way the business of law is conducted

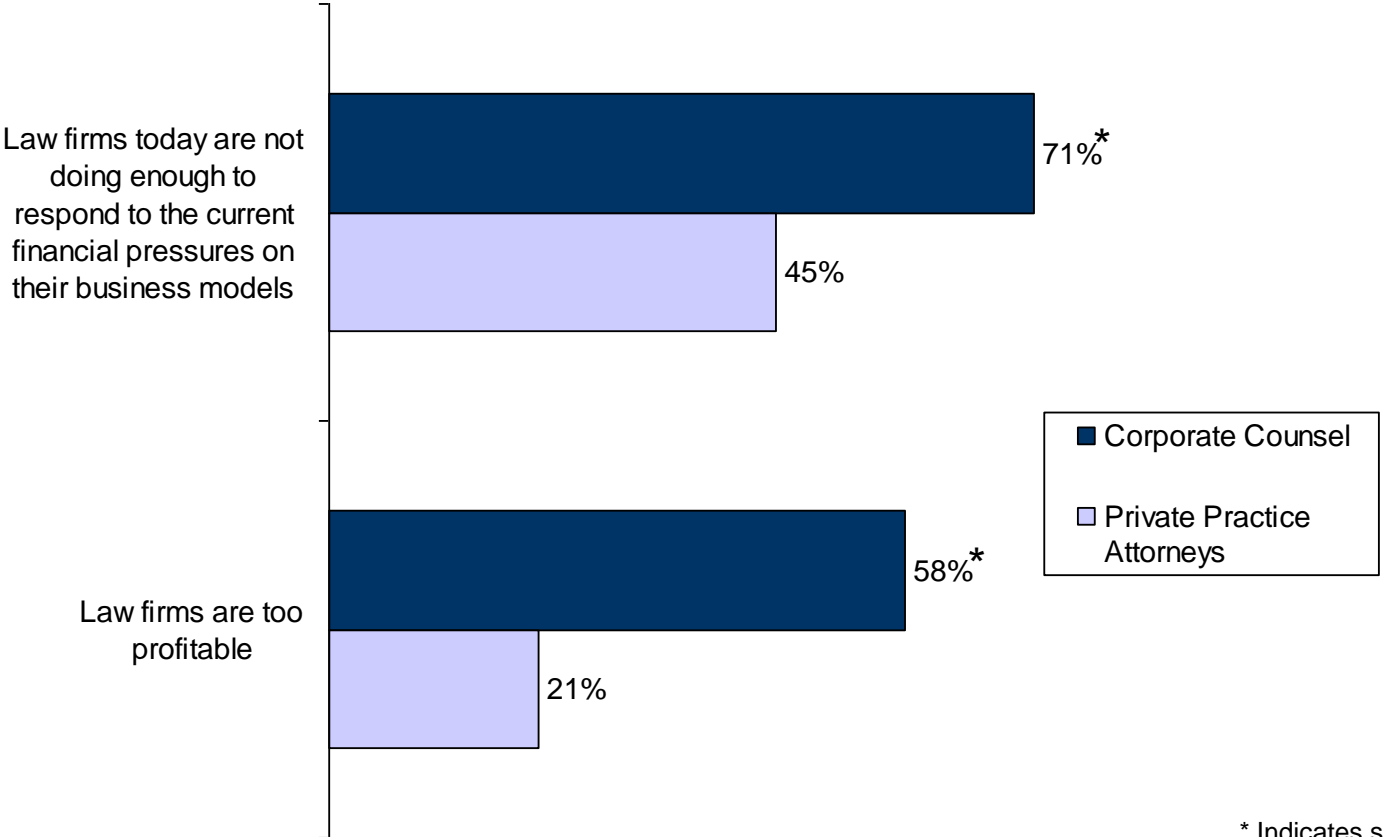
- Three-quarters of corporate counsel (77%) and private practice attorneys (73%) agree that the fallout of the economic downturn has forced law firms to re-evaluate how they bill clients.
- Further, half of lawyers believe that the recession will permanently change the way business is done in the legal industry.



Q30. To what extent do you agree or disagree with each of the following statements.

# However, corporate counsel believe that law firms are not doing enough to respond to the economic downturn

- Corporate counsel (71%) are significantly more likely than private practice attorneys (45%) to believe that law firms today are not doing enough to respond to the current financial pressures on their business models.
- Moreover, corporate counsel (58%) are nearly three times as likely as private practice attorneys (21%) to agree that law firms are too profitable.



\* Indicates significant difference

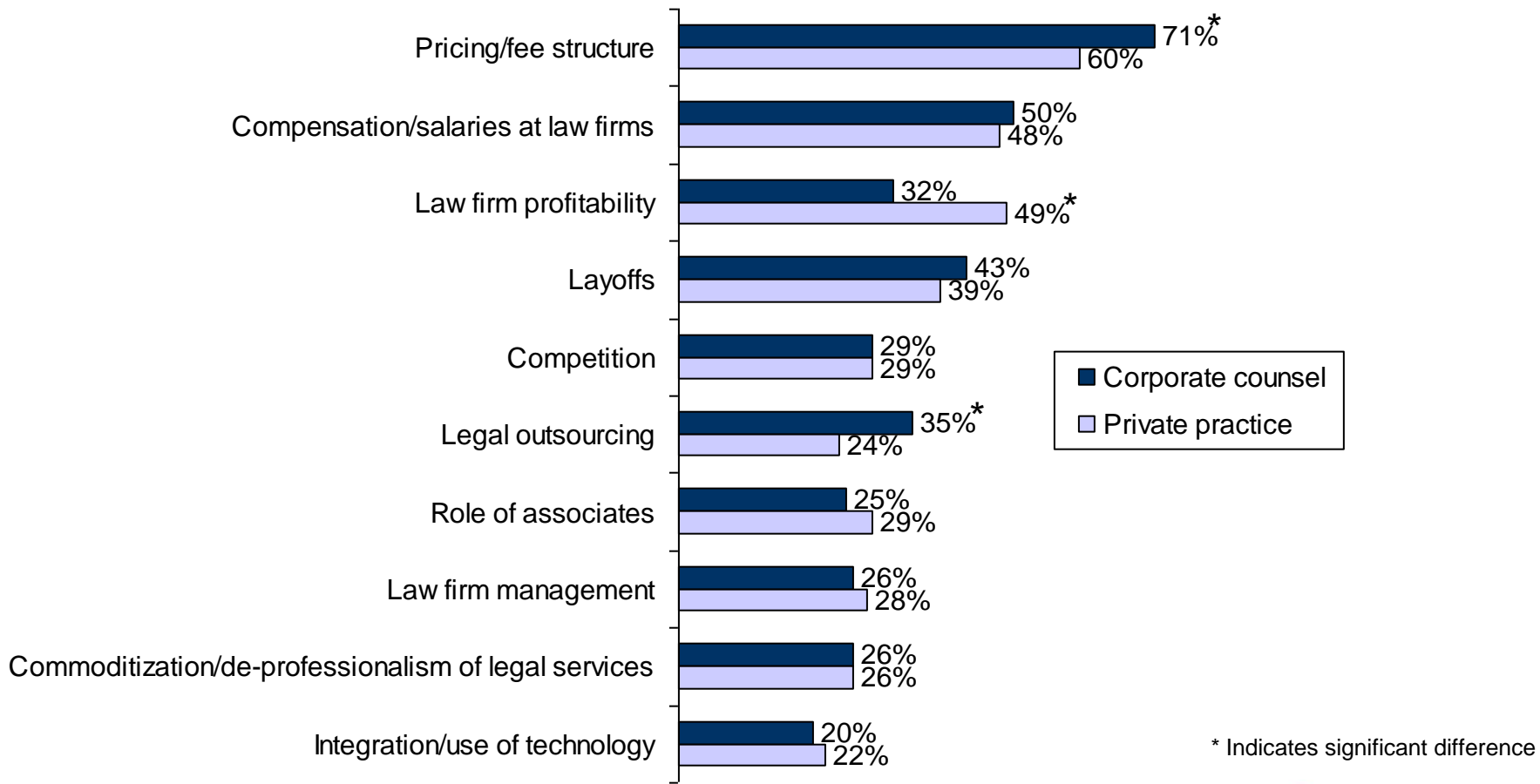
Q30. To what extent do you agree or disagree with each of the following statements.



# Lawyers identify pricing/fee structure as the #1 issue currently challenging the legal industry

- Among both corporate counsel and private practice attorneys, pricing/fee structure is the #1 issue facing the legal industry today, followed closely by compensation/salaries at law firms.

## Top Ten Issues Facing Legal Industry

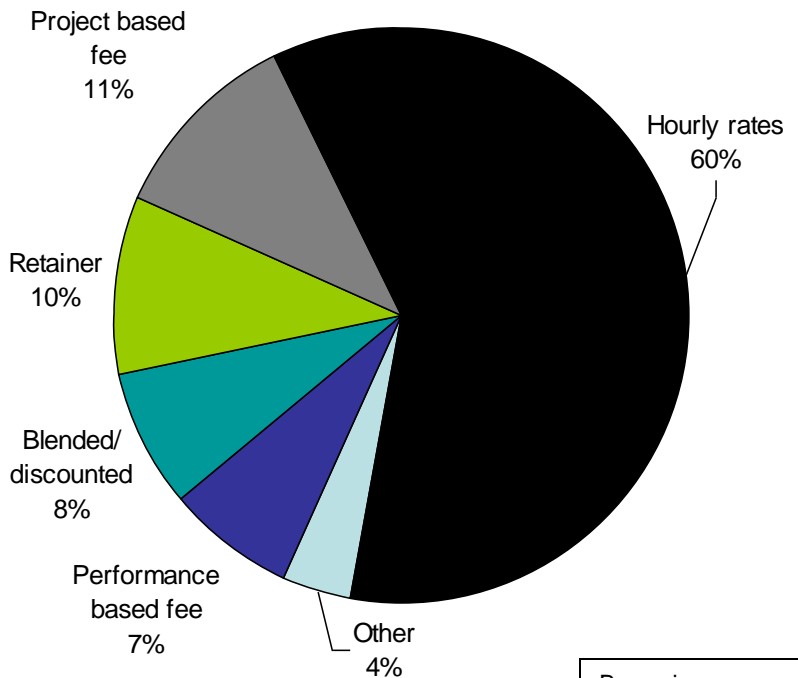


Q5. Which of the following, if any, best describes major issues facing the legal industry today?

# Yet, the majority of lawyers believe legal fees will continue to be billed hourly in the upcoming year

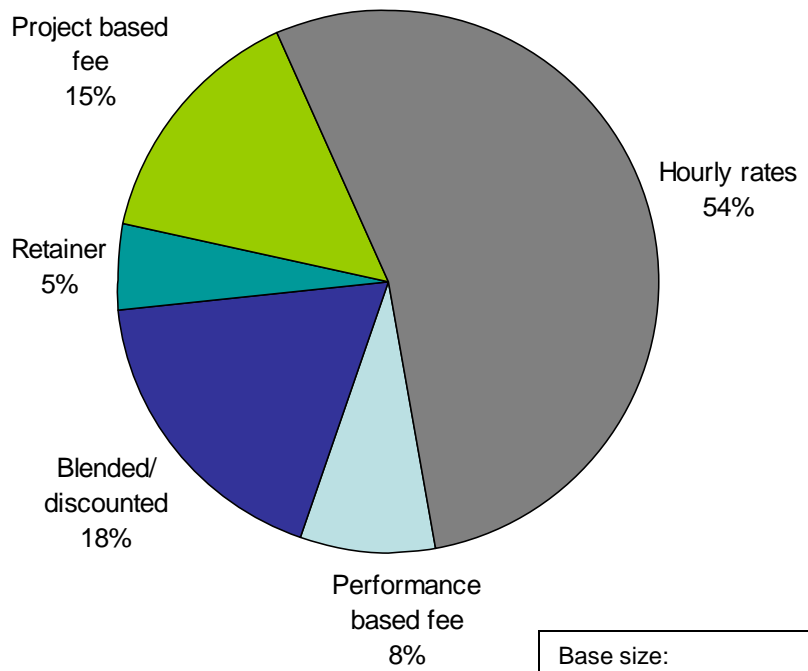
- Both private practice attorneys and corporate counsel believe that the majority of their legal fees will be billed in hourly rates.

**Law firms' 2010 billing will be billed in the following ways**



Base size:  
Private Practice = 305

**Companies' 2010 legal fees will be billed in the following ways**



Base size:  
Corporate Counsel = 150

Q13. Thinking about your company, what percent of your company's 2010 legal fees do you believe will be billed in the following ways?/ Q24. Thinking about your own law firm, what percent of your 2010 billing do you believe will be billed in the following ways?

# Lawyers identify additional trends that will emerge in the upcoming year, including continued layoffs and salary reductions

- The biggest changes that lawyers foresee within the legal industry in 2010 include:
  - Continued layoffs
  - Salary reductions
  - Fee restructuring
  - Over-saturation of attorneys
  - Outsourcing

“Further layoffs, splintering of law firms, and additional law firms going out of business or expanding into non or quasi legal services”

“I think that more attorneys will restructure their billing to be more competitive and attract clients and will come up with more creative billing methods such as project based or flat rates that are not really used much right now but would be much more suitable to many of the legal services provided”

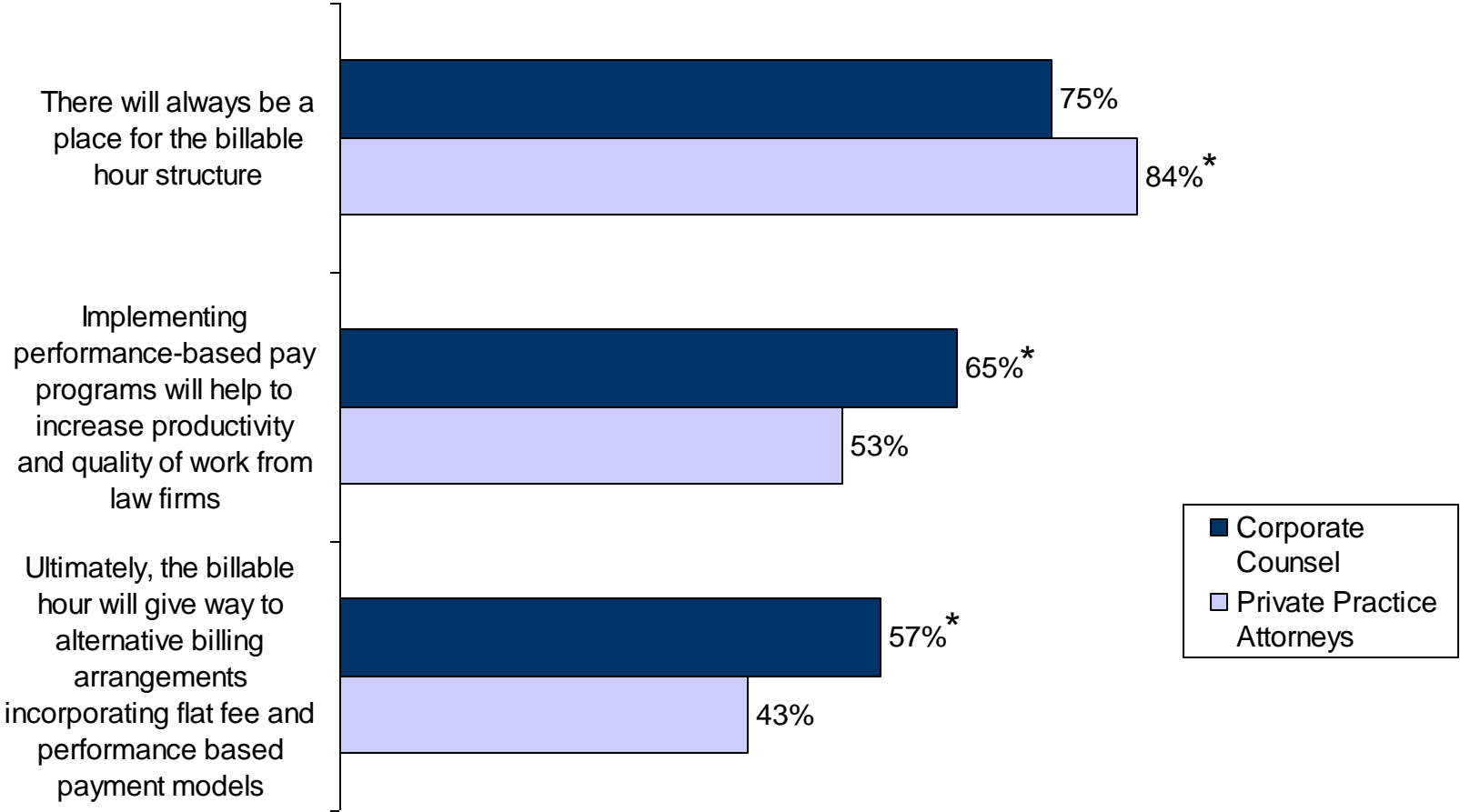
“More use of alternative fee arrangements, though I think hourly billing will remain dominant for the foreseeable future”

“Corporations will continue to insist on value from law firms and will leverage overseas firms to get reduced US rates”

“More unemployed associates, fewer senior associates making partner, lower or no bonuses, higher billable hour requirements”

# In this new environment, corporate counsel demonstrate a clear openness to implementing alternative billing methods while private practice attorneys are more firmly tied to the traditional hourly structure

- Private practice attorneys (84%) are significantly more likely than corporate counsel (75%) to believe that there will always be a place for the billable hour structure.
- On the other hand, corporate counsel (57%) are significantly more likely than private practice lawyers (43%) to agree that the billable hour will give way to alternative billing arrangements.



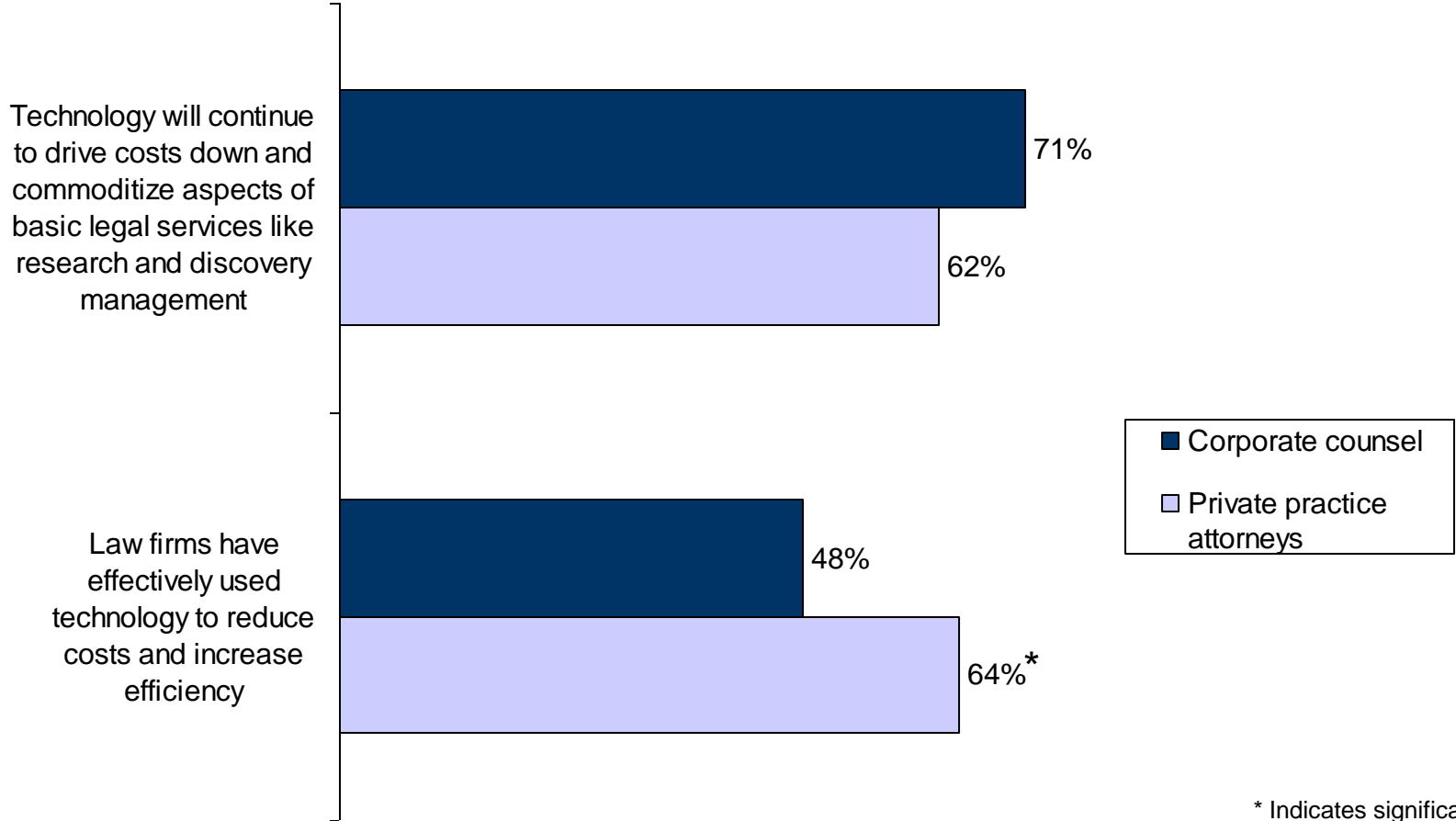
\* Indicates significant difference

Q30. To what extent do you agree or disagree with each of the following statements.



# While lawyers perceive technology as a tool to manage costs, private practice attorneys are more likely to believe law firms have utilized technology effectively to reduce costs

- The majority of lawyers agree that technology will continue to drive costs down and commoditize aspects of basic legal services like research and discovery management.
- However, private practice attorneys are significantly more likely than corporate counsel to believe that law firms have effectively used technology to reduce costs and increase efficiency.



\* Indicates significant difference

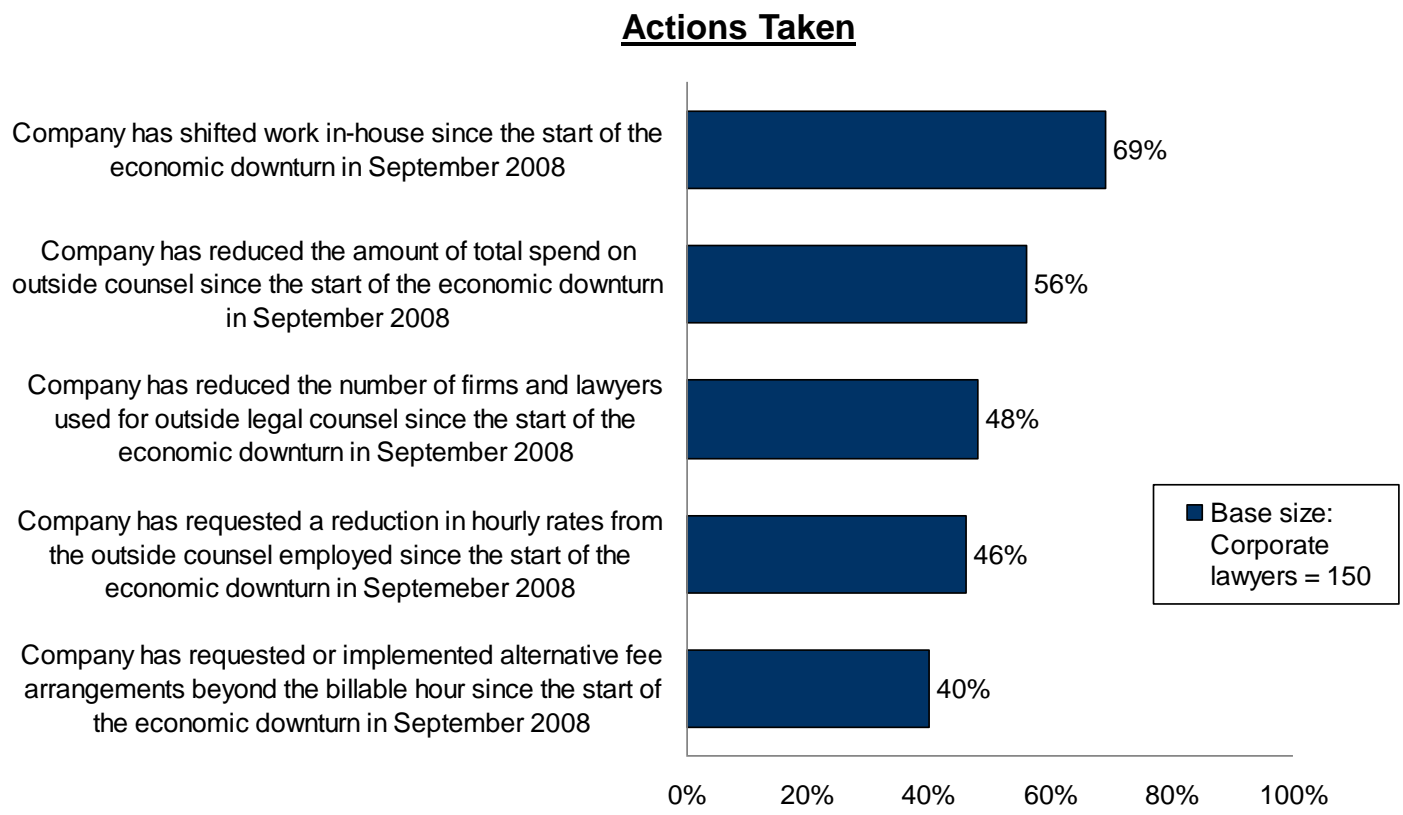


Q30. To what extent do you agree or disagree with each of the following statements.

# Focus on Corporate Counsel

# While the majority of corporate counsel believe law firms are not taking enough action, they are erring on the side of caution and taking a number of cost-cutting measures

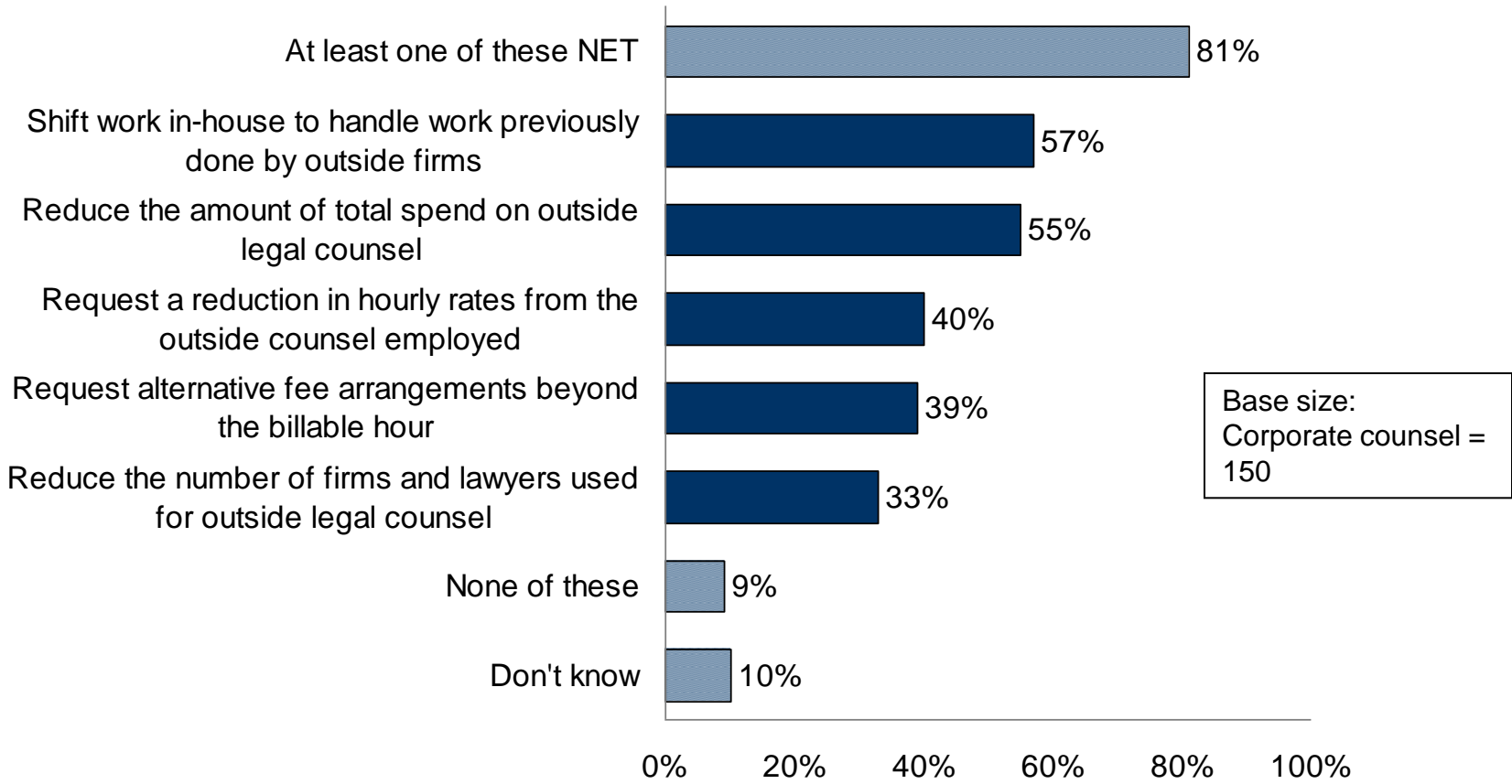
- Corporate lawyers are taking a number of steps in response to the economic downturn, including shifting work in-house, reducing spending on their outside counsel, and requesting alternative fee arrangements.



Q7. Has your company reduced the amount of total spend on outside legal?/ Q8. Has your company reduced the number of firms and lawyers used for outside legal counsel?/ Q9. Has your company requested a reduction in hourly rates from the outside counsel employed?/ Q10. Has your company requested or implemented alternative fee arrangements beyond the billable hour?/ Q11. Has your company shifted work in-house?

# And looking ahead, corporate counsel predict implementation of additional cost-cutting measures in the upcoming year

- Eight in ten corporate counsel (81%) believe that their company will take at least one cost cutting measure in 2010, with the top actions being shifting work in-house to handle work previously done by outside firms (57%) and reducing the amount of total spend on outside legal counsel (55%).

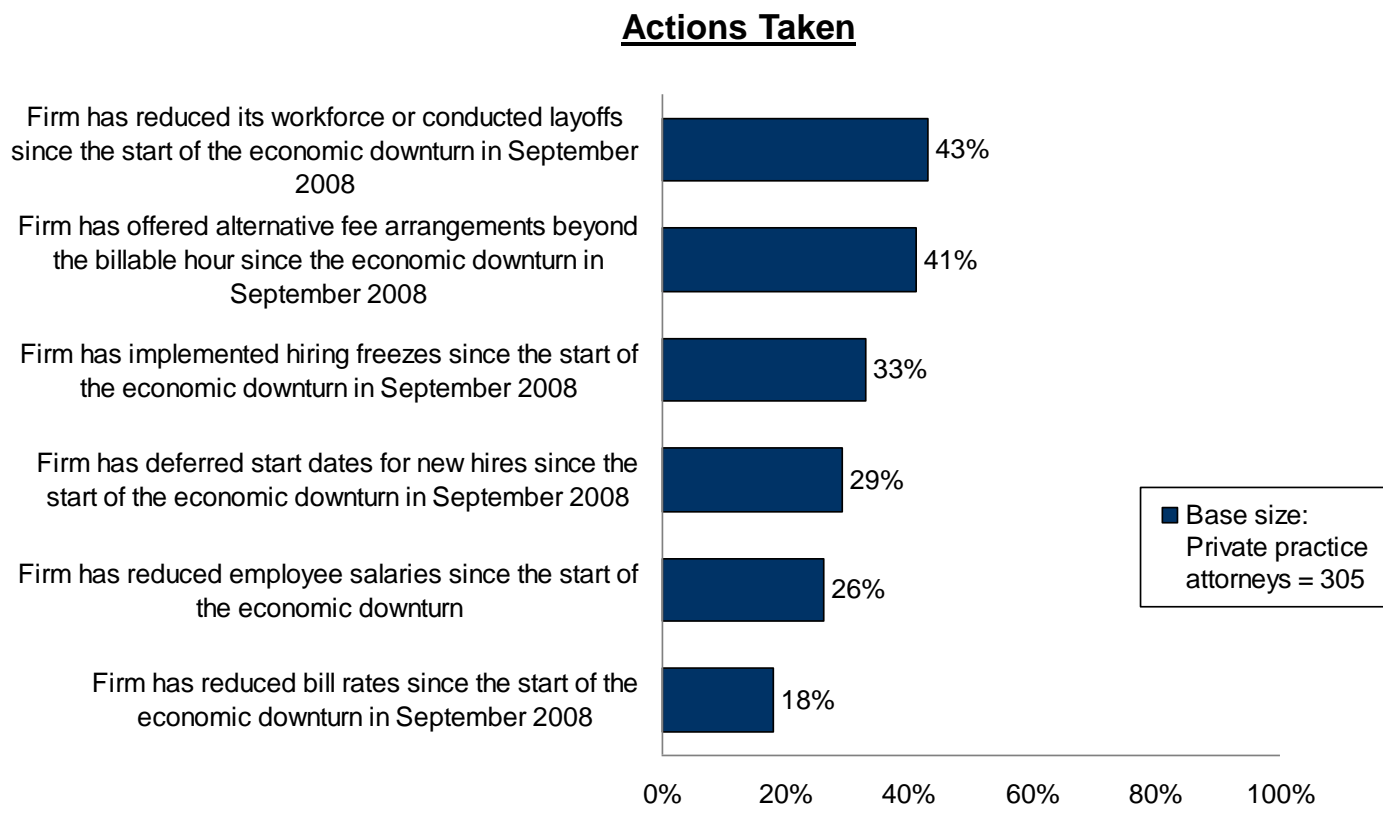


Q12. Which, if any, of the following actions do you believe your company will take in 2010?

# Focus on Private Practice Attorneys

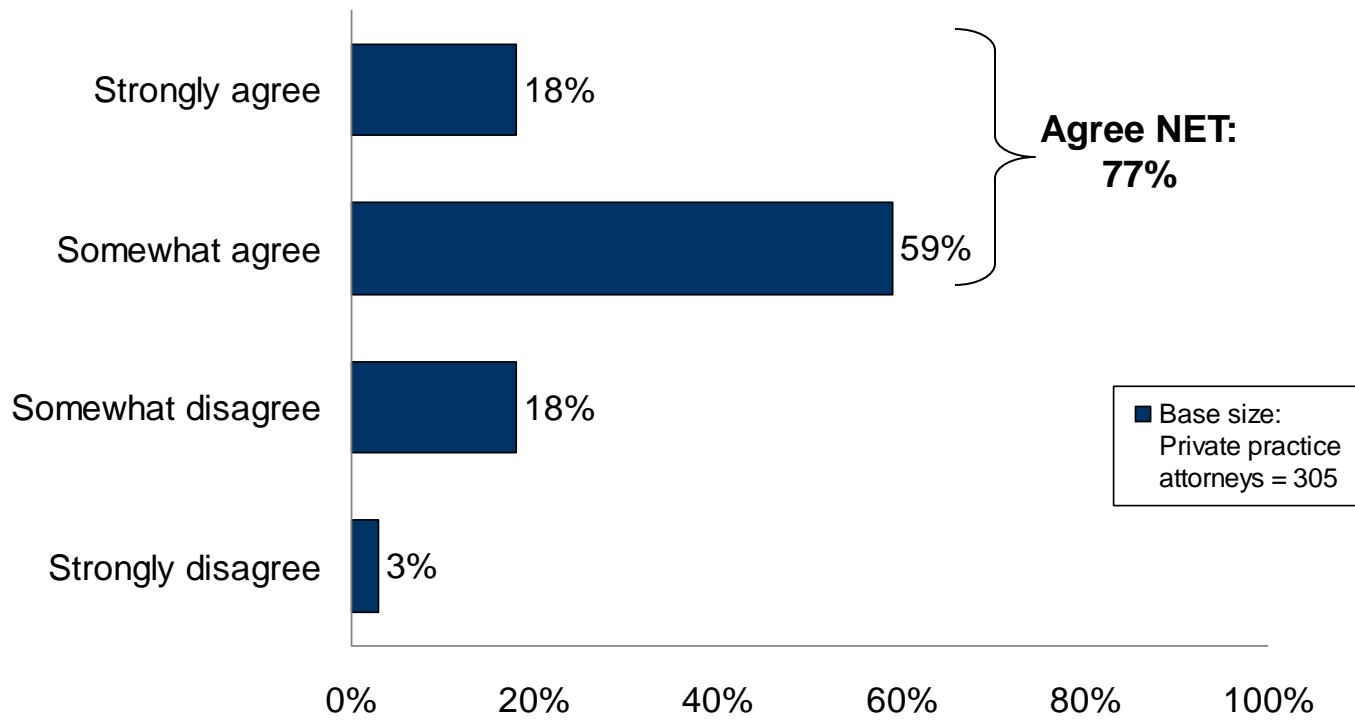
# Like corporate counsel, private practice attorneys have taken a number of steps to respond to the current economic climate

- Private practice attorneys report their firms have taken a number of steps since the start of the economic downturn to respond to the changed economic climate, including reducing its workforce, offering alternative fee arrangements, and implementing hiring freezes.



# However, the sizeable majority of private practice attorneys believe their clients are too focused on cost reduction

- Eight in ten private practice attorneys (77%) agree that clients are too focused on reducing cost at the expense of quality/long term results.



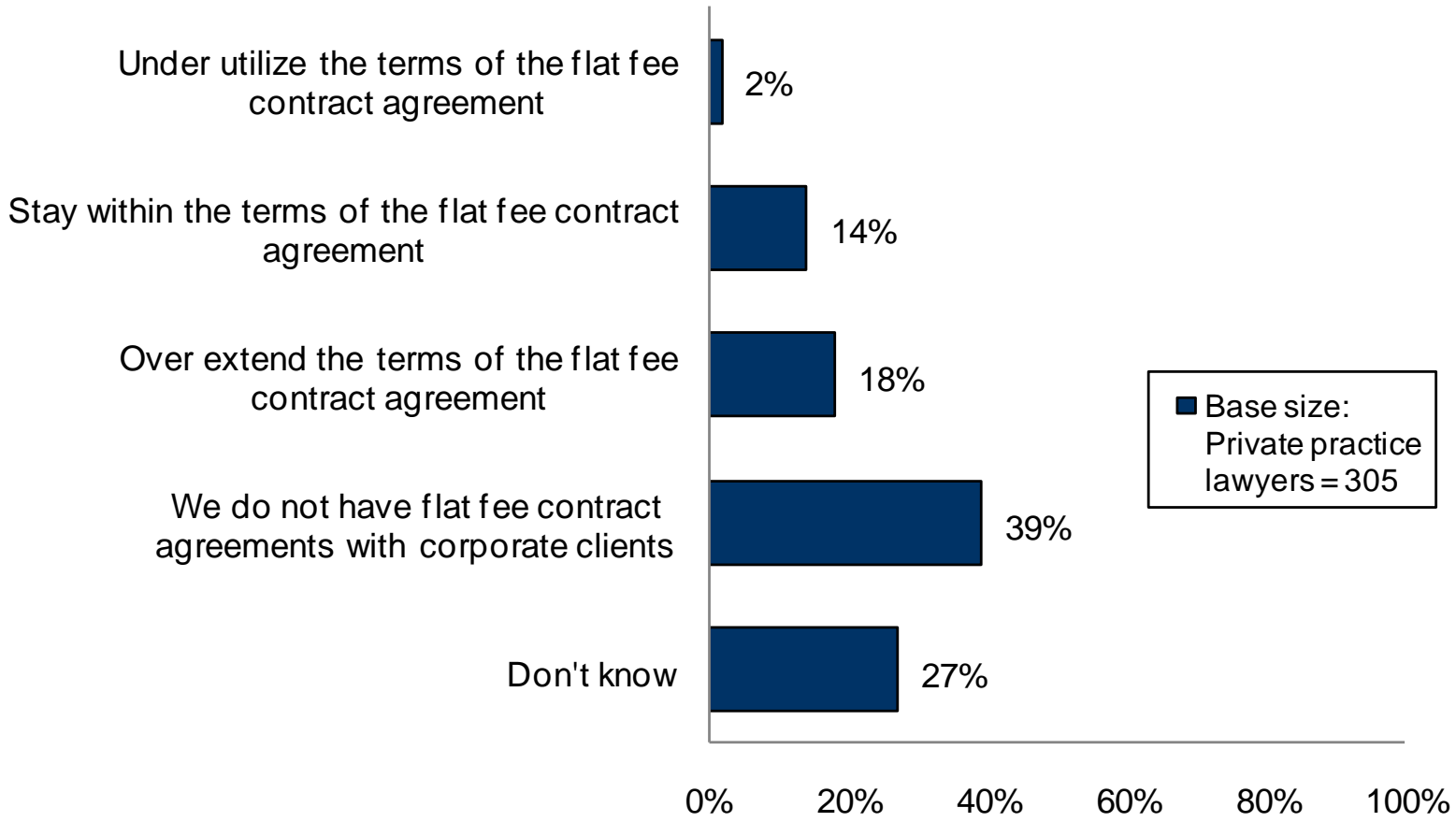
\*\*Excludes "Don't know/ not applicable" responses

Q30. To what extent do you agree or disagree with each of the following statements.



# One in five private practice attorneys report that corporate clients overextend their flat fee agreements

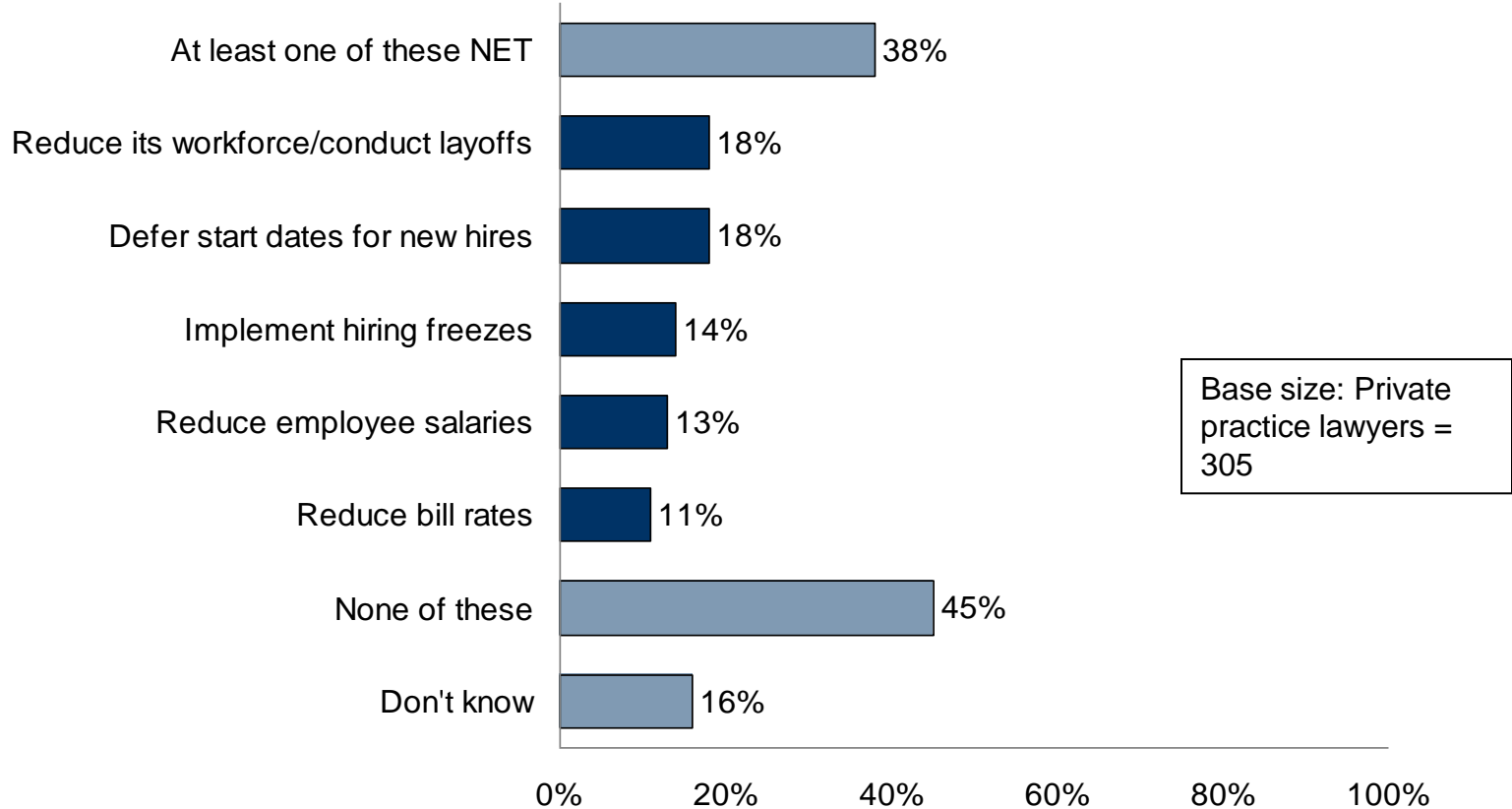
- Four in ten private practice attorneys (39%) report that they do not have flat fee contract agreements with corporate clients.
- In addition, a full quarter (27%) are unsure if flat fee contract agreements are in place.



Q22. When working with corporate clients in flat fee contract agreements, do you find they...?

# Looking to 2010, private practice attorneys anticipate firms to implement additional cost-cutting measures; still, a full 45% don't expect any actions

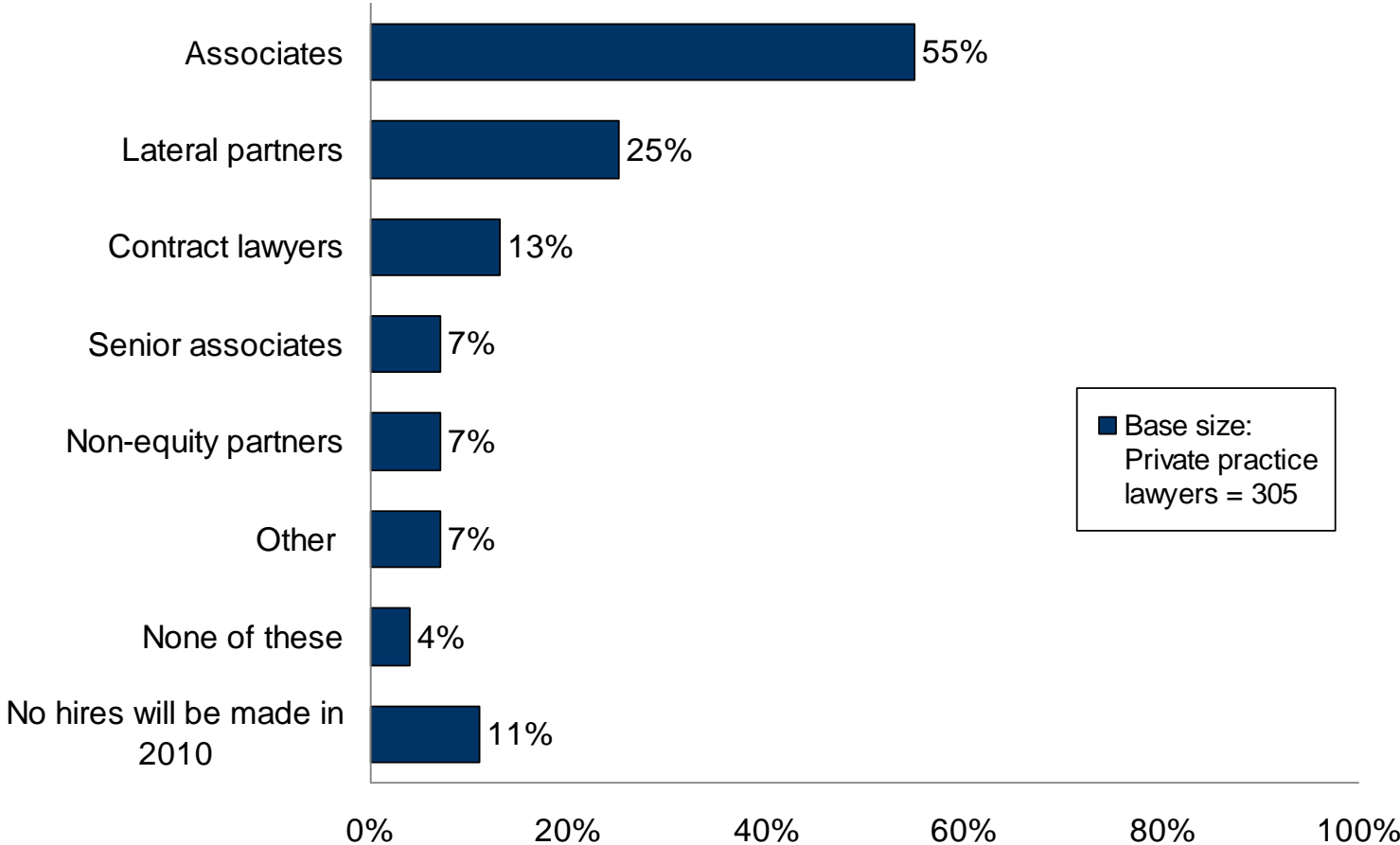
- Four in ten private practice attorneys (38%) believe their firm will take measures to lower costs in 2010, with the top two actions being “reducing its workforce/conducting layoffs” and “deferring start dates for new hires.”
- Importantly, a full 45% of private practice attorneys do not expect their firms to take any cost-reducing actions.



Q20. Which, if any, of the following actions do you believe your firm will take in 2010?

# If hiring does take place, over half of private practice lawyers believe it will be for the associate position

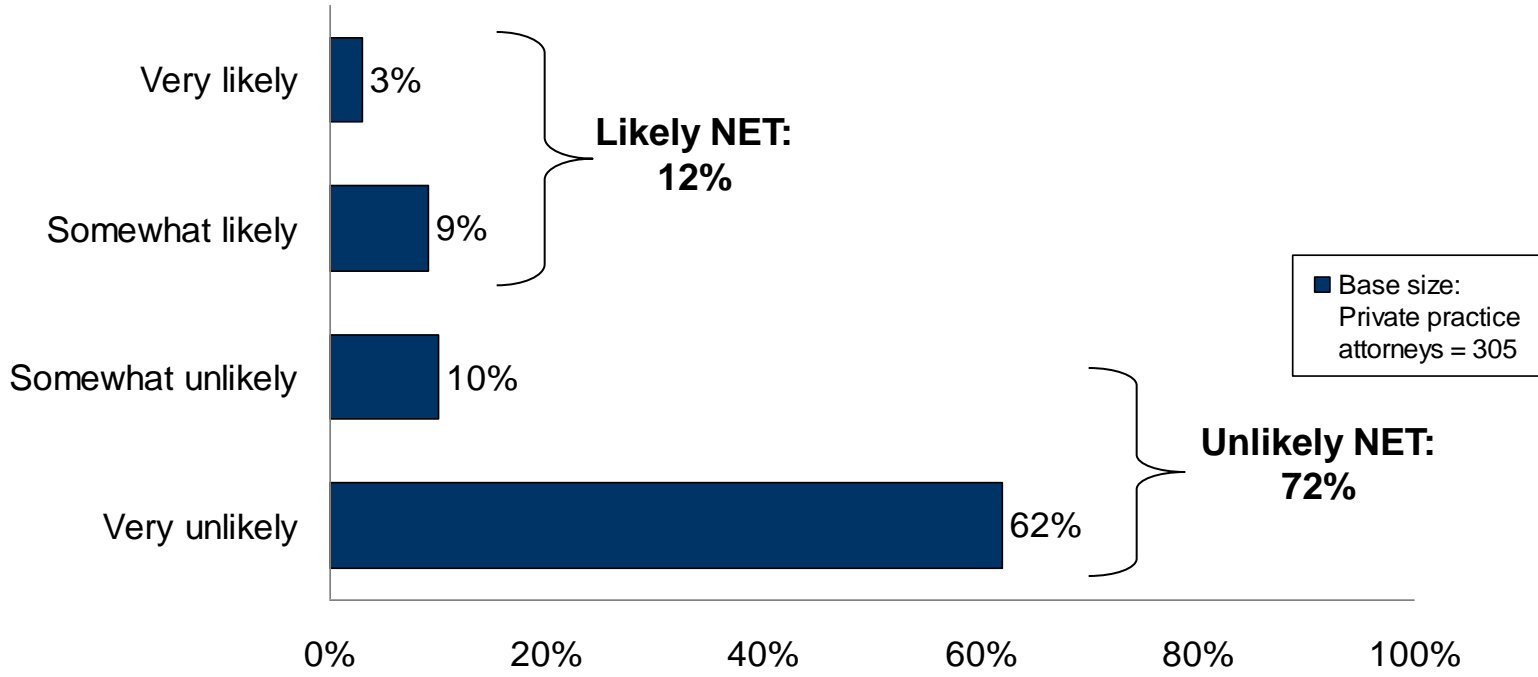
- Over half of private practice attorneys (55%) report that if their firm makes any hires in 2010, their firm would most likely hire associates.



Q21. If your firm makes any hires in 2010, which, if any, of the following titles or levels is your firm most likely to hire?

# While firms would be most likely to hire associates, they would not consider apprenticeship programs for these new hires

- Nearly three-quarters of private practice attorneys (72%) report that it is unlikely that their firm would consider implementing apprenticeship programs for new associates in 2010, with a full six in ten (62%) saying that this is very unlikely to occur.



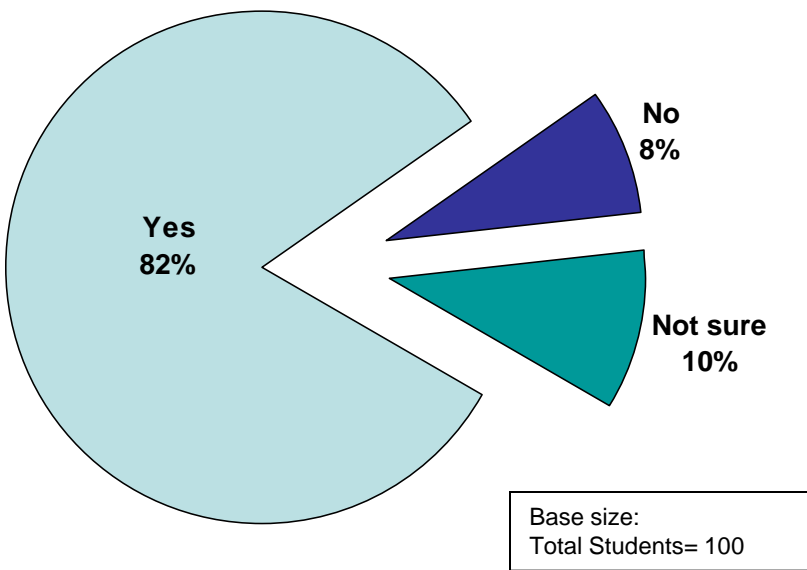
\*\*Excludes "Don't know/ not applicable" responses

# Students' Perceptions

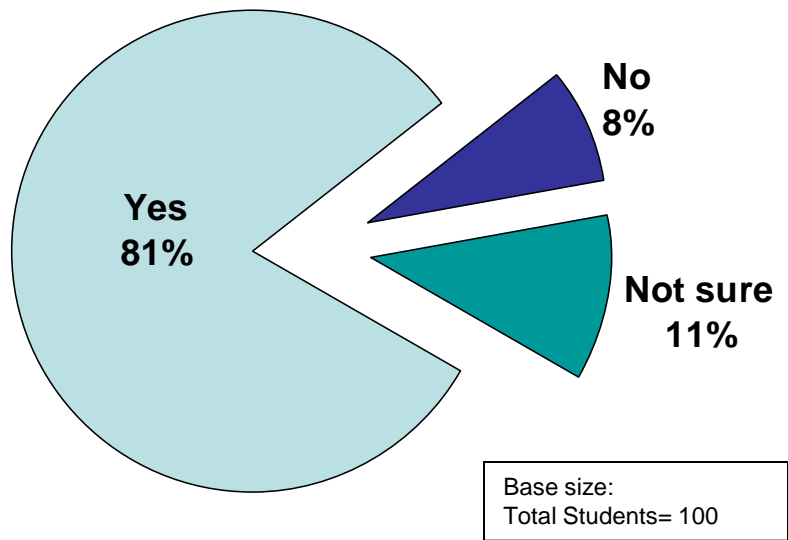
# While the majority of law students still intend to carry out their plans to become a practicing attorney when they graduate...

- The overwhelming majority of law students (82%) planned on becoming an attorney when they applied to law school and still intend to become a practicing attorney when they graduate (81%).

**Intended to Become a Practicing Attorney  
When Applied To Law School**



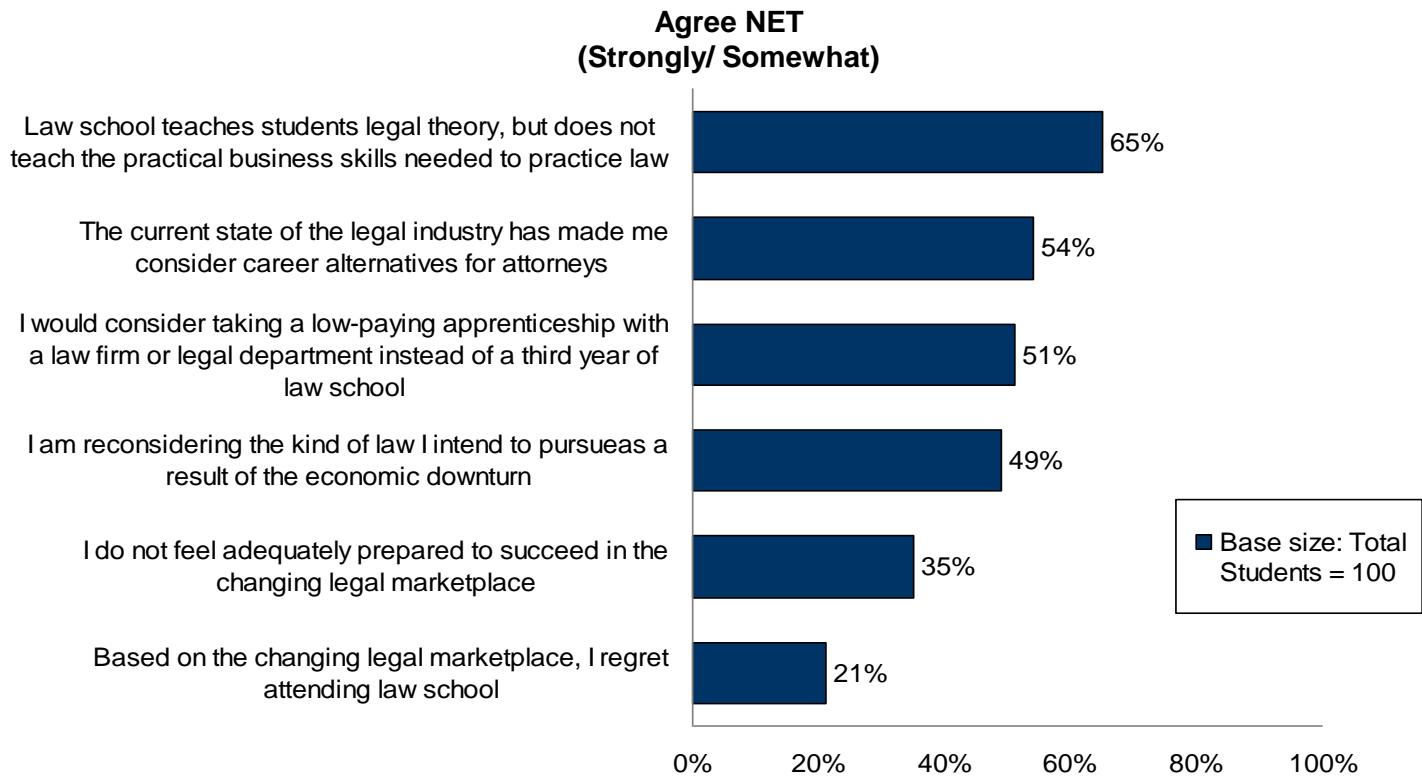
**Intend to Become a Practicing Attorney  
When They Graduate**



Q25. When you applied to law school, did you intend on becoming a practicing attorney?/ Q26. When you graduate, do you intend on becoming a practicing attorney?

# ...many feel ill-equipped to enter the business of law and are considering alternative careers

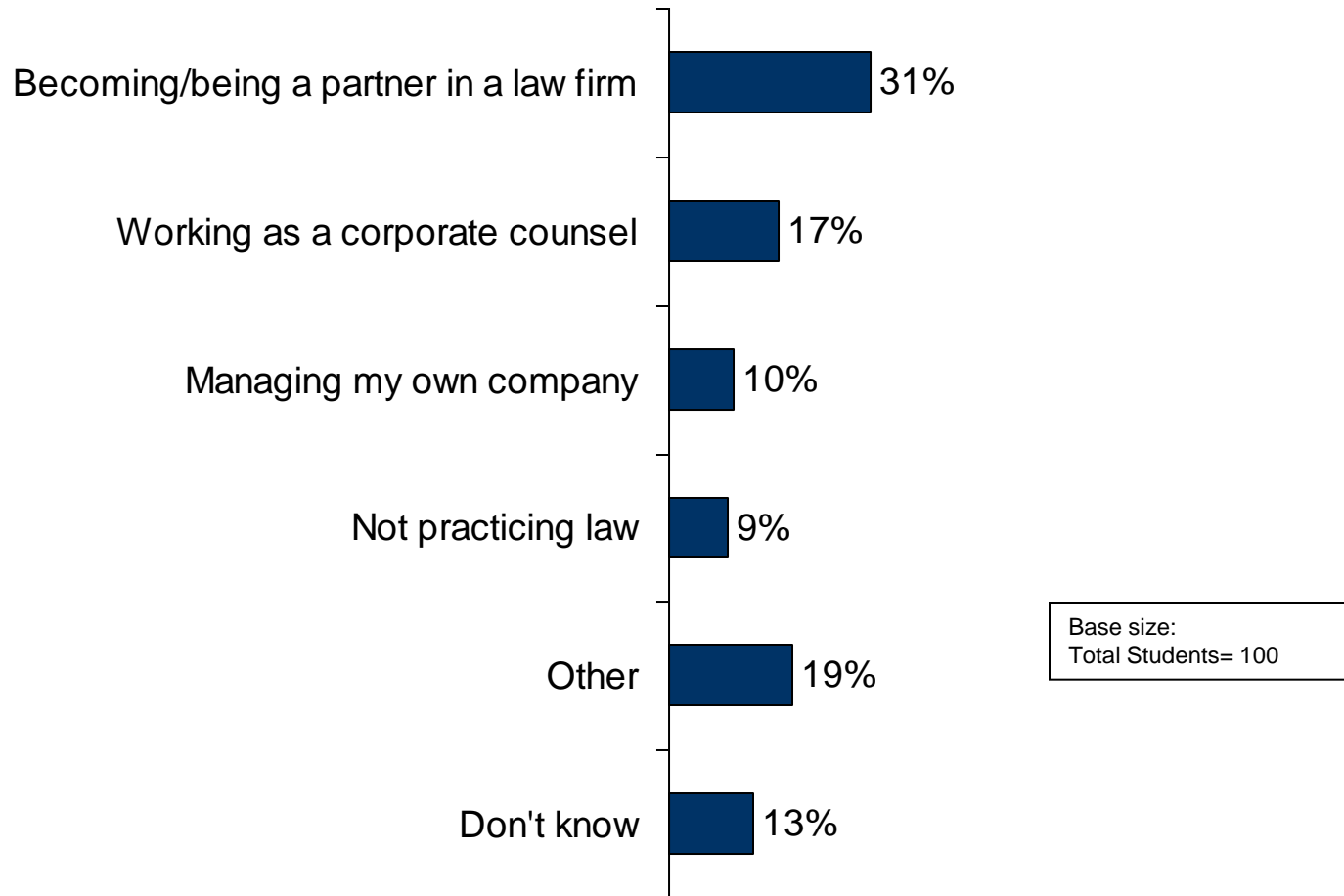
- The majority of law students (65%) believe that law school teaches students legal theory, but does not teach the practical business skills needed to practice law.
- A full half report that they are reconsidering the kind of law they intend to pursue because of the economic downturn (49%), and the current state of the legal industry has made them consider career alternatives (54%). Many report that they would even consider taking low-paying apprenticeships instead of a 3<sup>rd</sup> year of law school (51%).
- Over a third of law students do not feel adequately prepared to succeed in the changing legal marketplace (35%) and one in five regret going to law school based on the changing legal marketplace (21%).



Q28./Q30. To what extent do you agree or disagree with each of the following statements.

# In fact, one in ten students are unsure if they will be in the law profession in the years ahead

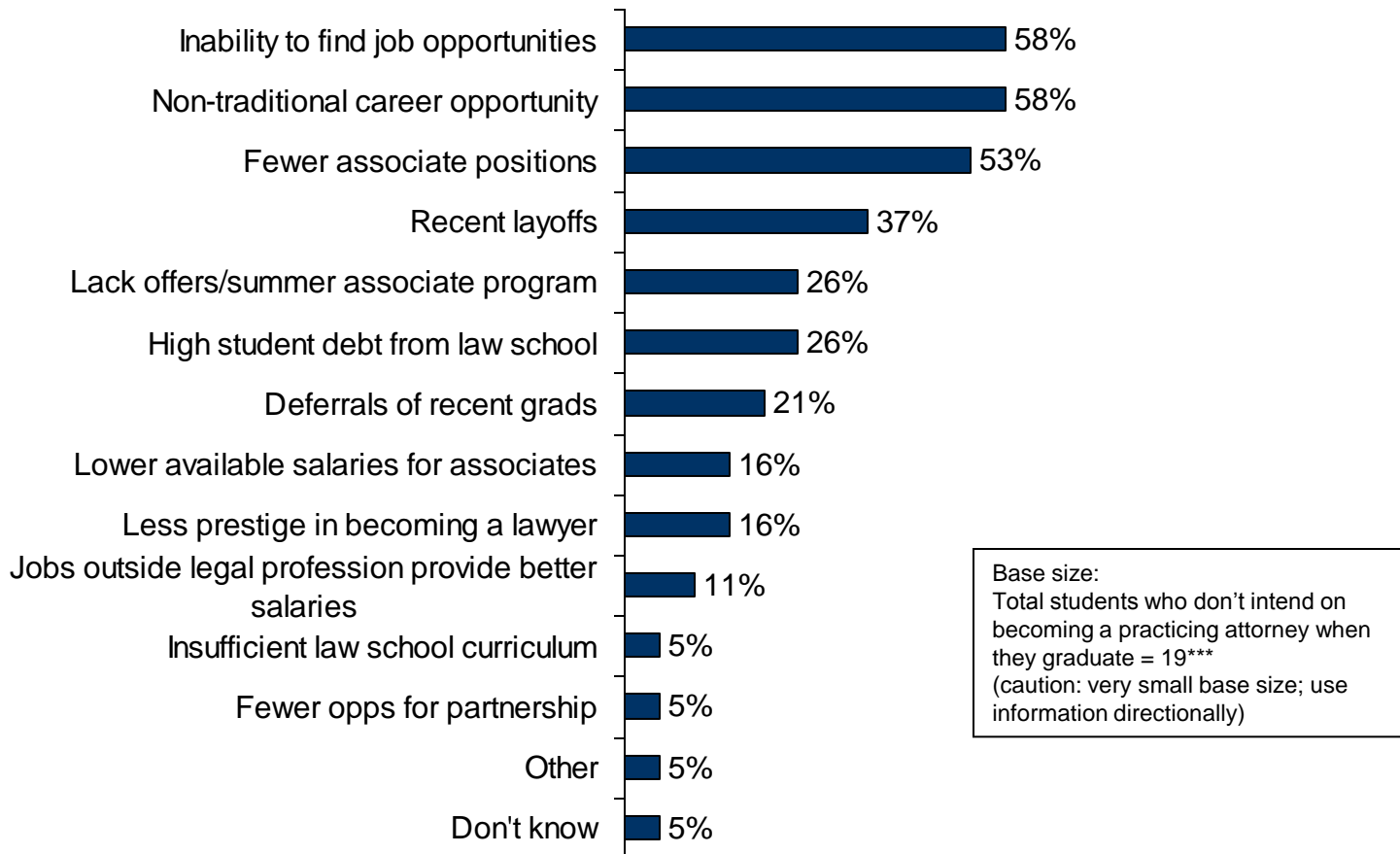
- One in ten law students report that in 10 years, they will not be practicing law (9%). Another 13% of students are unsure of what they will be doing in 10 years.



\*\*Excludes "Refused" responses

# For many, concerns regarding job availability is the top reason for reconsidering becoming a practicing attorney

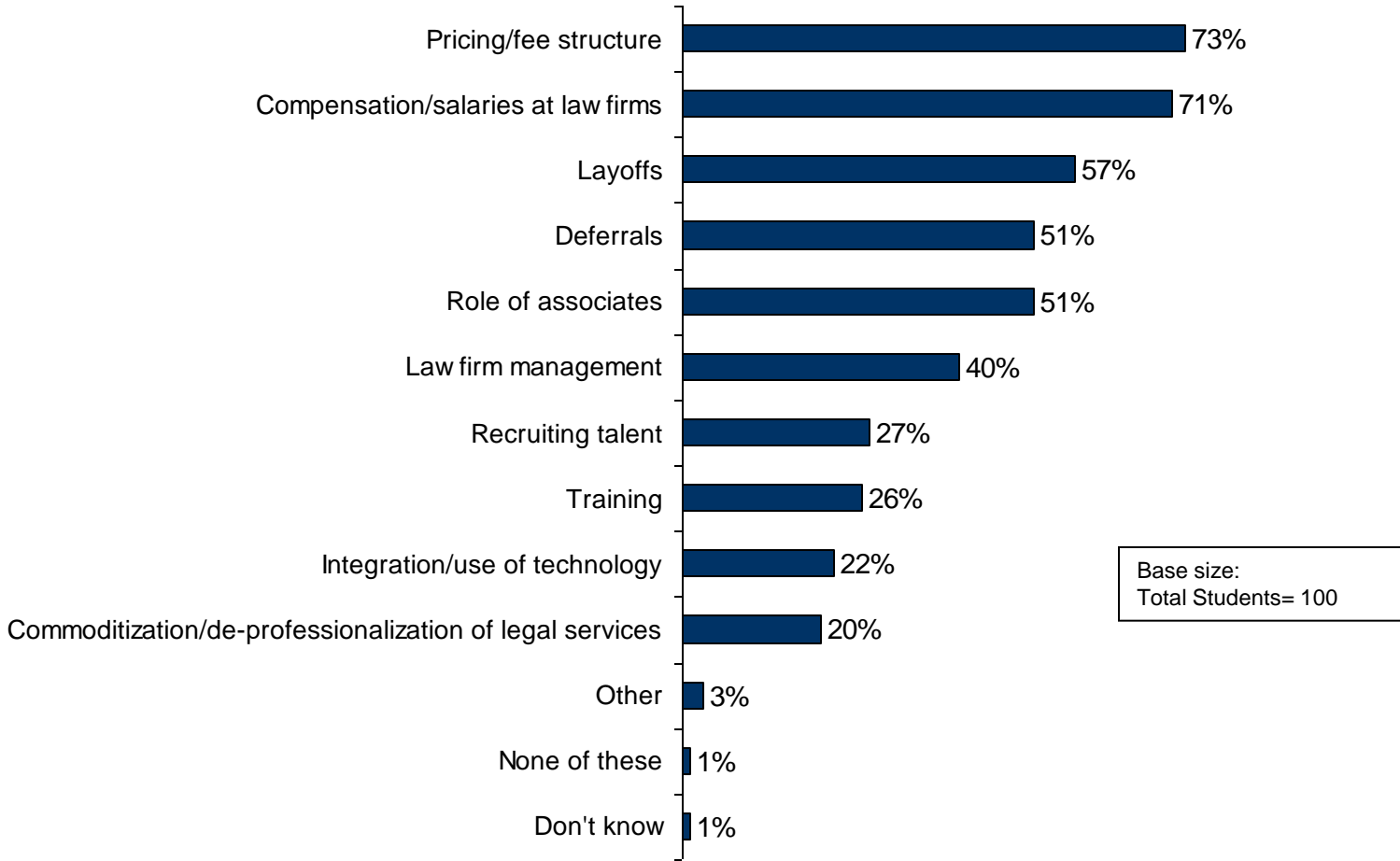
- The inability to find job opportunities (58%) and seeking non-traditional career opportunities (58%) are the top reasons given by those who do not plan on becoming a lawyer after graduation.
- Fewer associate positions (53%) and recent layoffs (37%) are also pressing concerns.



Q27. Which, if any, of the following reasons is making you reconsider becoming a practicing attorney when you graduate?

# Further, the majority of students note a number of issues that will be plaguing the legal industry when they become practicing attorneys

- Seven in ten law students believe that when they become a practicing attorney, pricing/fee structure (73%) and compensation/salaries at law firms (71%) will be major issues facing the legal industry.

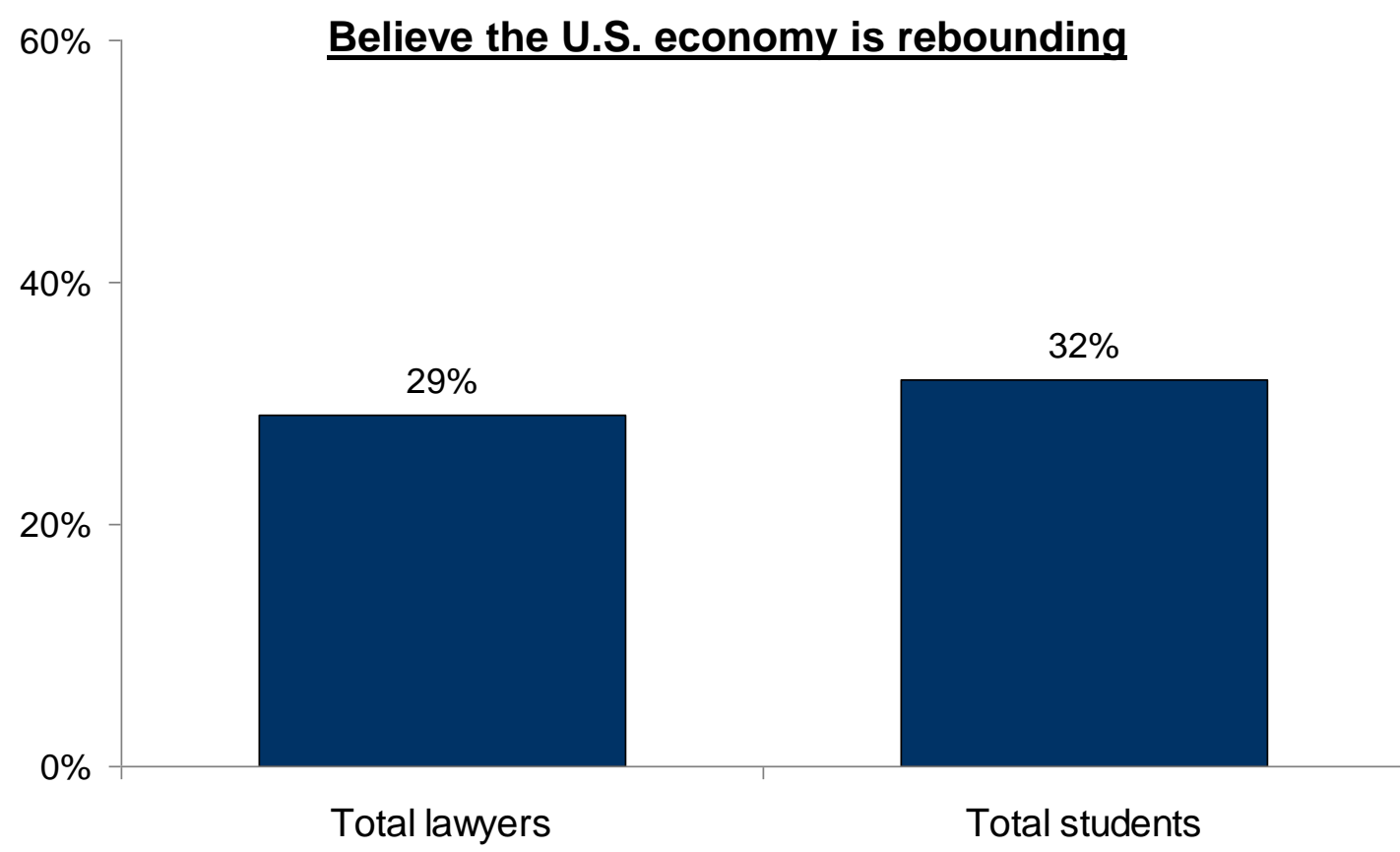


Q6. Which of the following, if any, best describe the major issues you believe will be facing the legal industry when you become a practicing attorney?

# Comparison of Lawyers' and Students' Perceptions

# Although a third of lawyers and students agree that the economy is recovering...

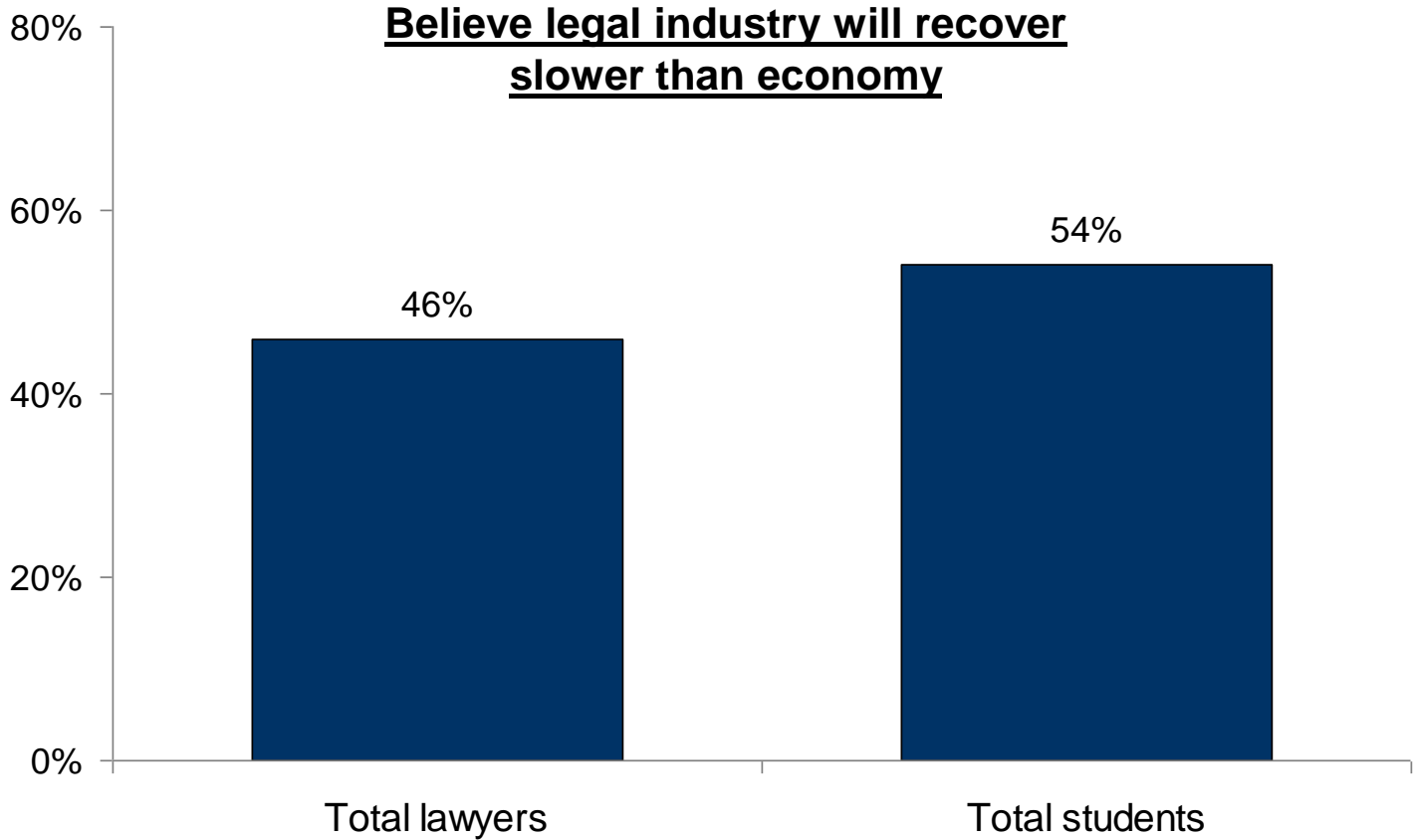
- Only a third of lawyers (29%) and law students (32%) believe that the U.S. economy is rebounding.



Q1. Do you believe the U.S. economy is...?

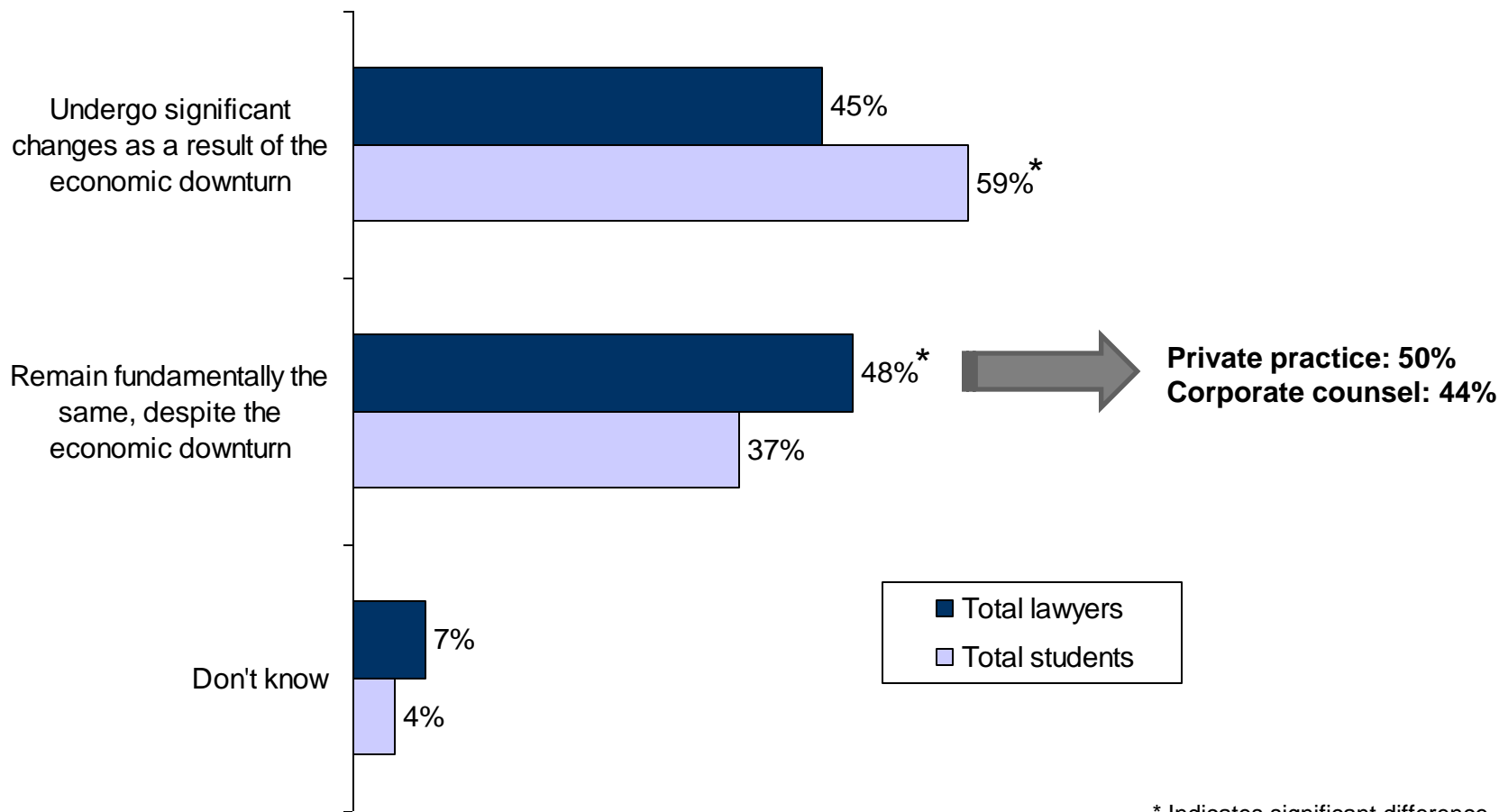
# ...the majority believe that the legal industry will not recover as quickly as the U.S. economy

- Students (54%) are more likely than lawyers (46%) to believe that the legal industry will recover slower than the economy.



# Still, lawyers are more apt to believe that the business of law will remain the same despite the economic downturn

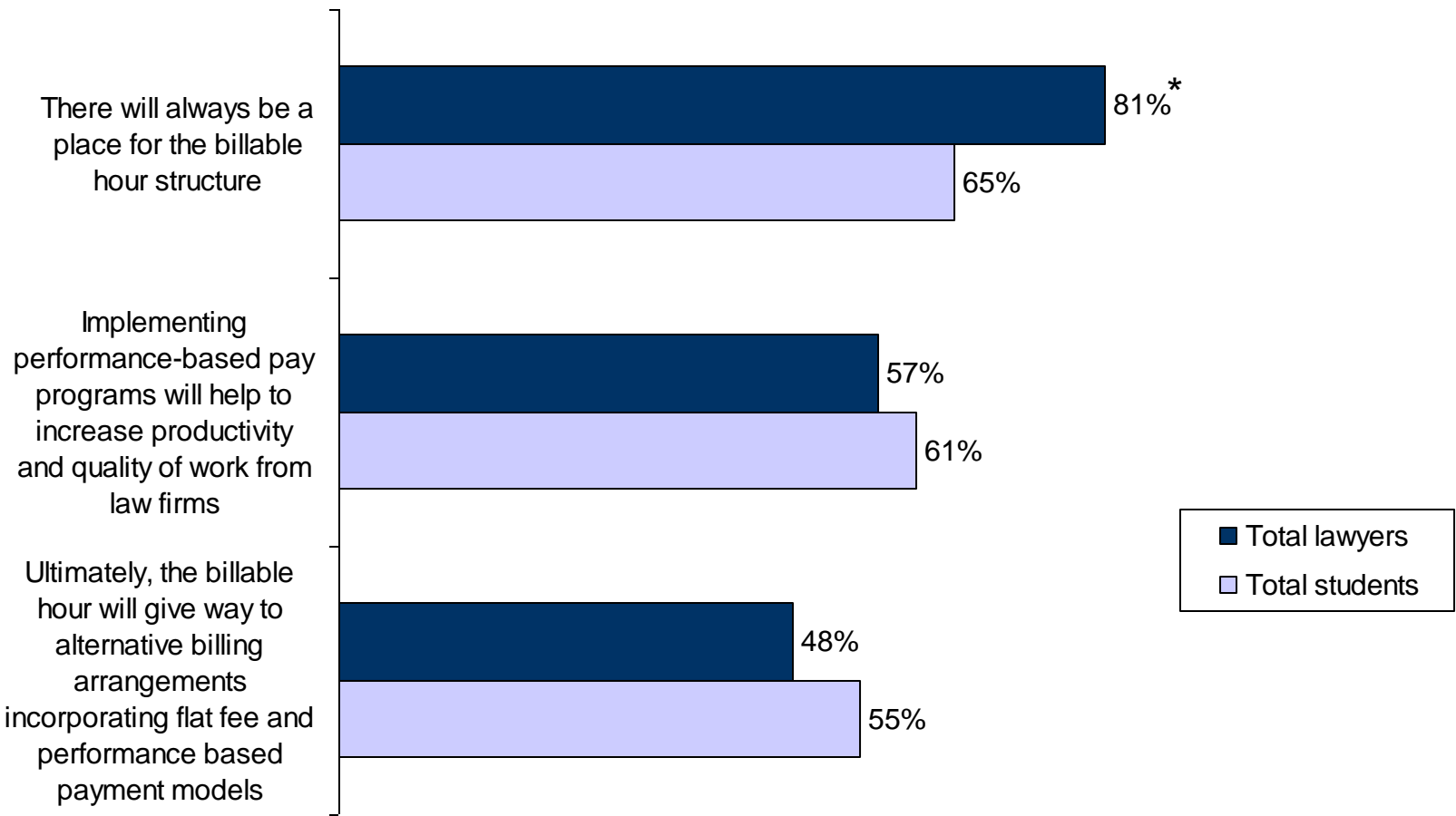
- Lawyers (48%) are significantly more likely than students (37%) to believe the traditional law firm business model will remain fundamentally the same, despite the economic downturn.



Q3. Do you believe the traditional law firm business model will...?

# Most lawyers and students believe the billable hour will remain a fixture in the industry, although many foresee the proliferation of alternative payment models

- Lawyers (81%) are significantly more likely than law students (65%) to believe that there will always be a place for the billable hour structure.



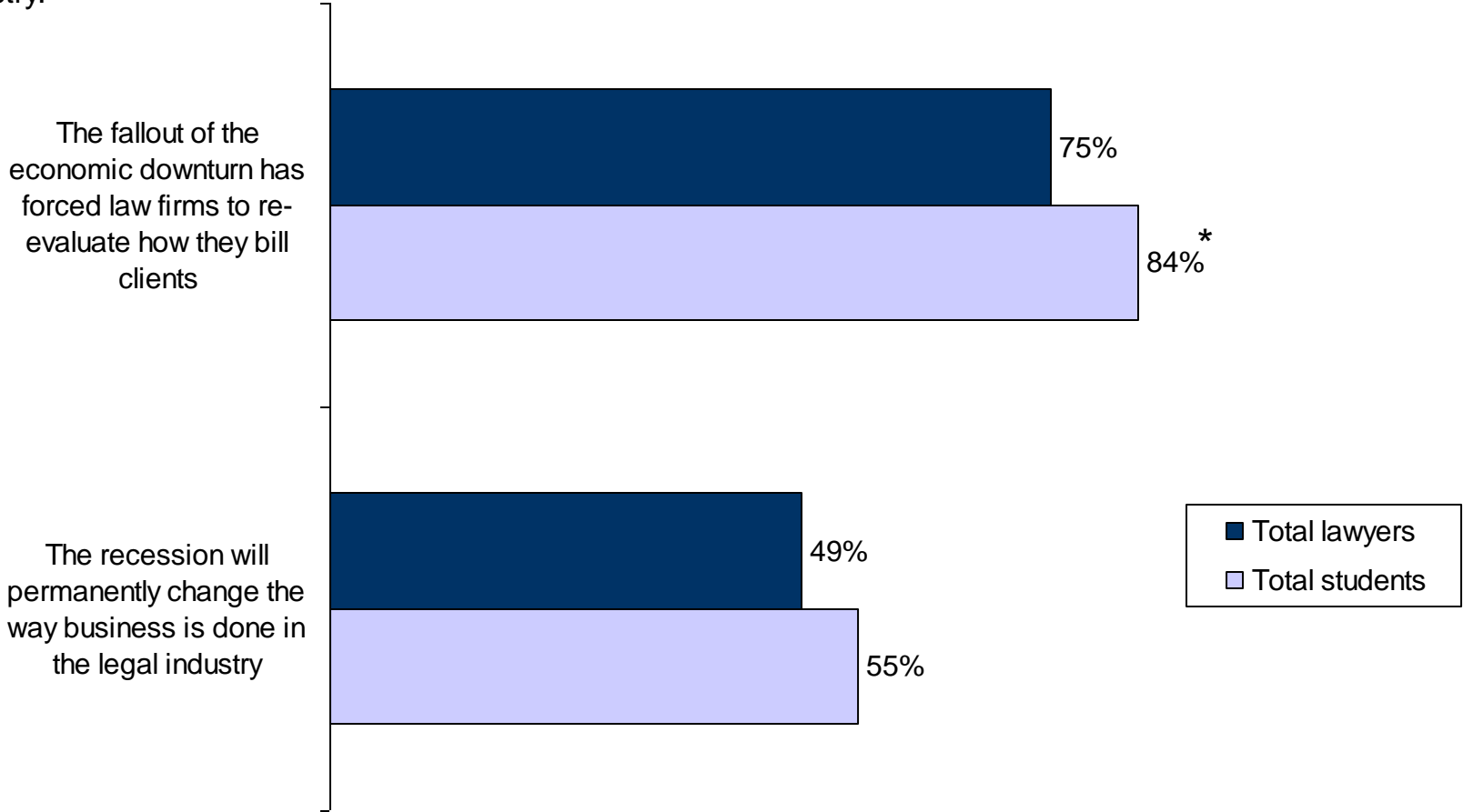
\* Indicates significant difference



Q30. To what extent do you agree or disagree with each of the following statements.

# Half of lawyers and students believe the recession has changed how law firms conduct business

- Students (84%) are significantly more likely than lawyers (75%) to believe that the fallout of the economic downturn has forced law firms to re-evaluate how they bill clients.
- Both audiences agree that the recession will permanently change the way business is done in the legal industry.



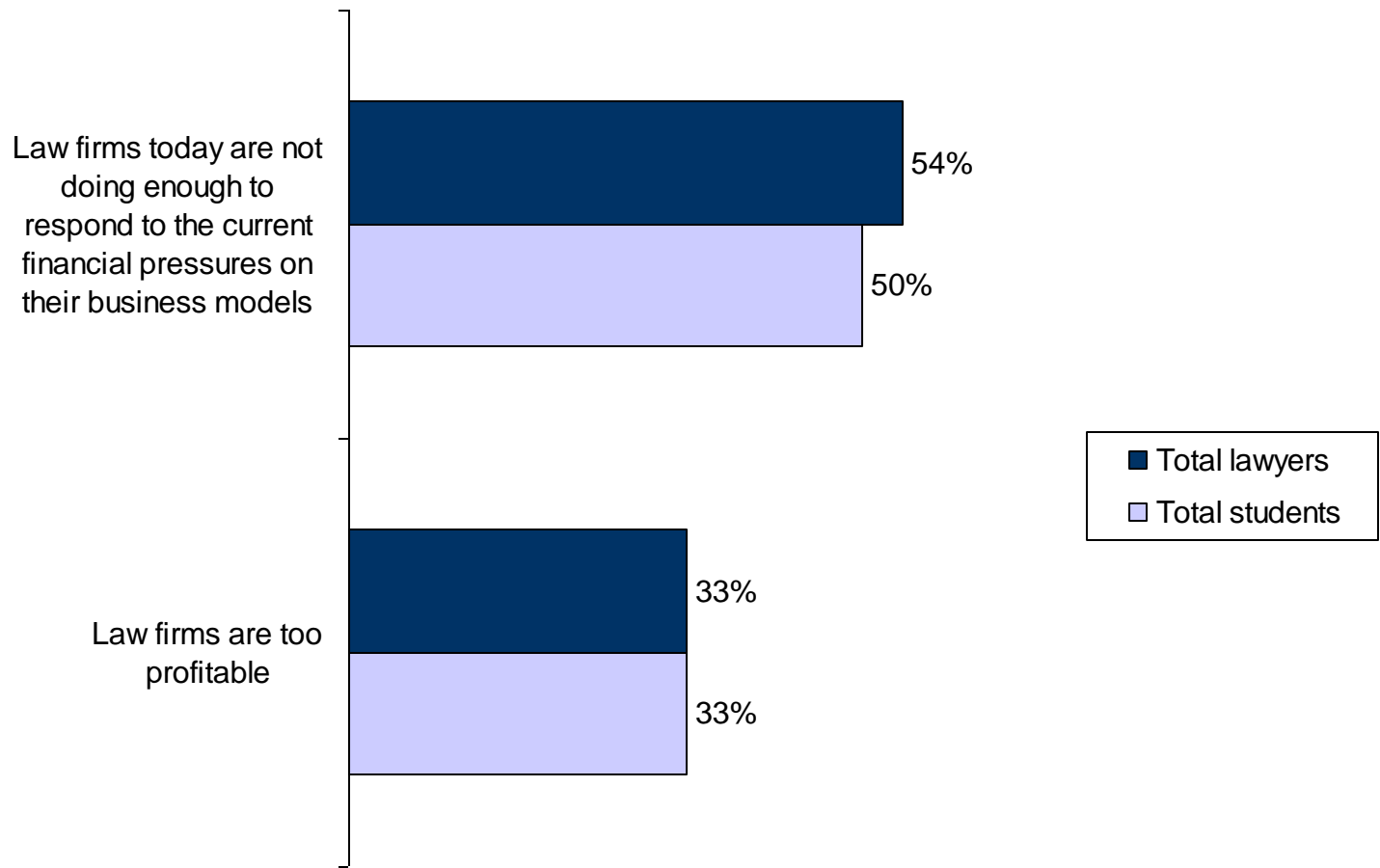
\* Indicates significant difference



Q30. To what extent do you agree or disagree with each of the following statements.

# Still, both audiences believe that law firms are too lucrative and not doing enough to respond to financial pressures in the current economic climate

- A full half of lawyers (54%) and students (50%) agree that law firms today are not doing enough to respond to the current financial pressures on their business models.
- Further, one-third of attorneys and law students believe law firms are too profitable (33%).



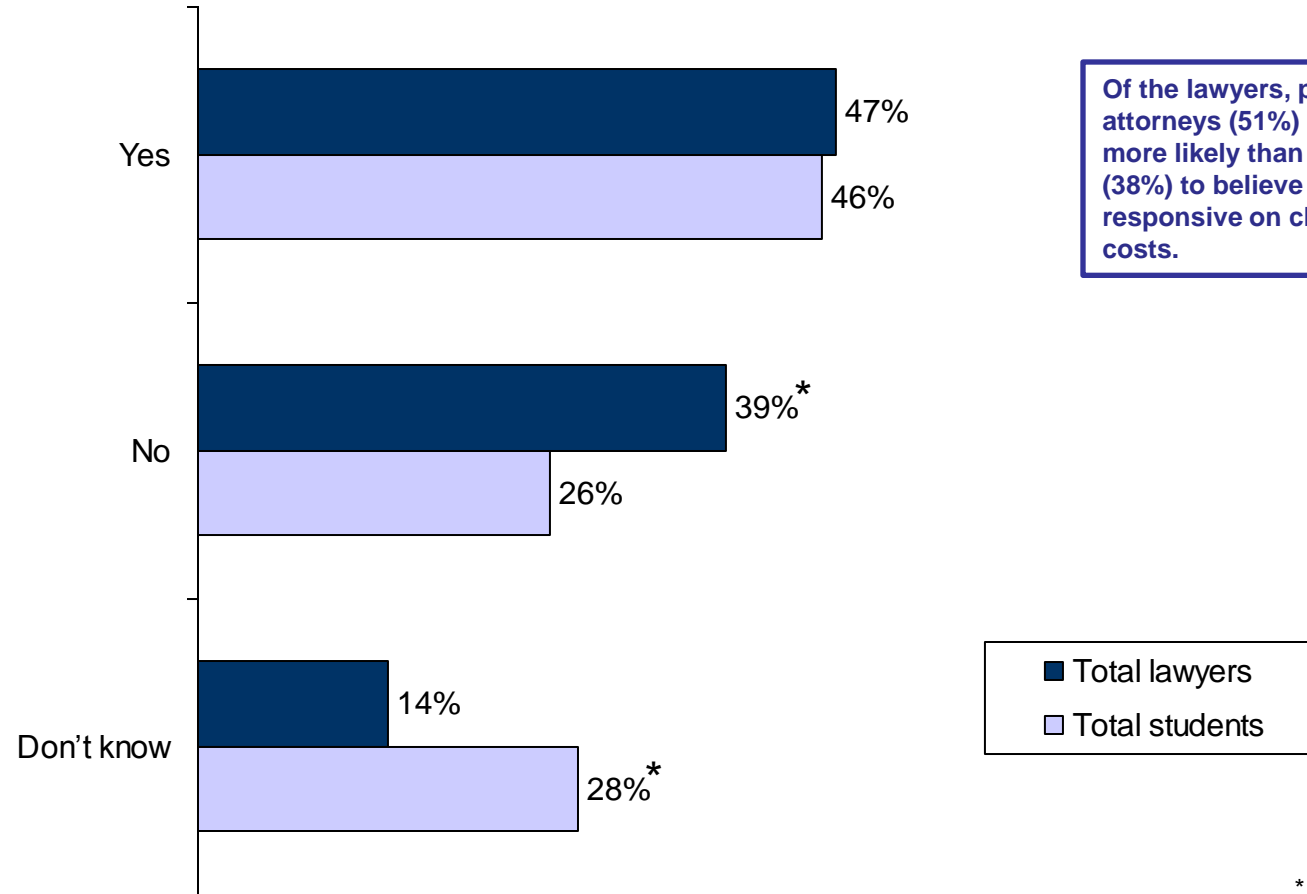
\* Indicates significant difference

Q30. To what extent do you agree or disagree with each of the following statements.



# In fact, less than half of lawyers and students agree law firms are willing to change fees

- Less than half of lawyers (47%) and students (46%) believe law firms are being responsive on changing fees and costs given the current U.S. economic recession.



Of the lawyers, private practice attorneys (51%) are significantly more likely than corporate counsel (38%) to believe law firms are being responsive on changing fees and costs.

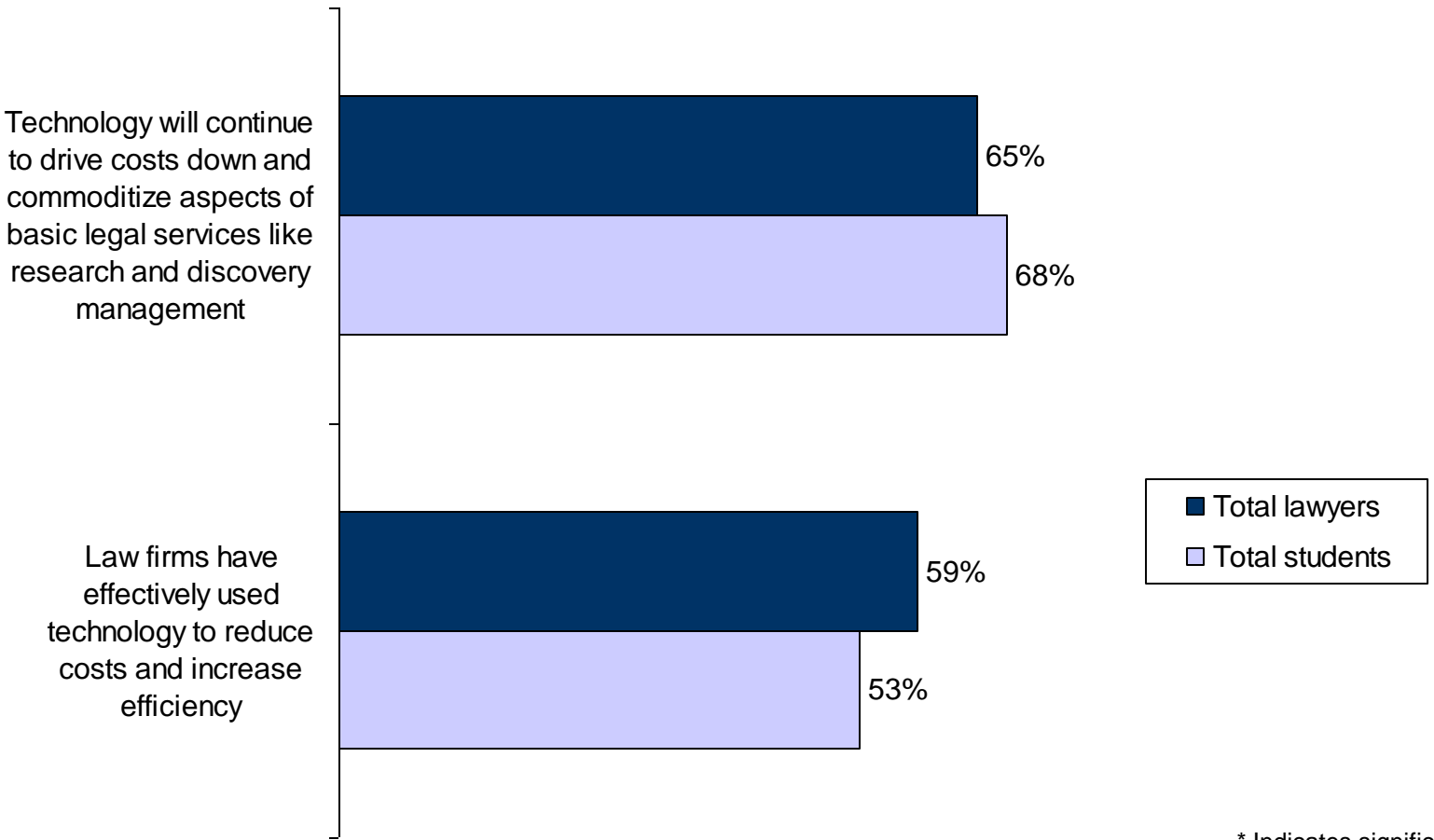
\* Indicates significant difference

Q4. Do you believe law firms are being responsive on changing fees and costs given the current U.S. economic recession?



# However, lawyers and students acknowledge that technology can be a conduit to cost management

- Two-thirds of lawyers and students believe technology will continue to drive costs down and commoditize aspects of basic legal services like research and discovery management.
- Over half agree that law firms have effectively used technology to reduce costs and increase efficiency.



\* Indicates significant difference



Q30. To what extent do you agree or disagree with each of the following statements?

# Appendix

# Sample Disposition

	Size	Mix Of Industries	Total
<b>Associates and Partners at law firms practicing in the U.S.</b>	100 from firms with 10 or less attorneys (small), 100 from firms with 11-99 attorneys (medium), 100 from firms with 100 or more attorneys (large)	Corporate, Criminal, Employment, Family Law, Finance, Health Care, Insurance, Intellectual Property, Litigation, Mergers and Acquisitions, Personal Injury, Real Estate, Regulatory, Risk Management, Tax, Venture Capital	300
<b>In-house legal counsel at corporations in the U.S. (must be qualified lawyers, not paralegals)</b>	75 from corporations with more than 2,000 employees (large companies), 75 from less than 2,000 employees (small to medium companies)	Mix of industries: Consumer goods, technology, health, insurance, financial, entertainment, automotive, advertising/marketing/public relations, retail, energy, telecommunications, agriculture	150
<b>Law students</b>	100 attending top 100 law schools based on U.S. News report (2008 rankings)	Mix of 1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> year students	100
<b>Total</b>			<b>550</b>

# Sample Disposition

## Lawyers:

Current Role in Legal Profession	%
Lawyer in large law firm (100 or more attorneys)	23%
Lawyer in medium sized law firm (11 to 99 attorneys)	22%
Lawyer in small law firm (2 to 10 attorneys)	22%
Lawyer in a corporation	33%

## Students:

Year in Law School	%
1 <sup>st</sup> year	36%
2 <sup>nd</sup> year	36%
3 <sup>rd</sup> year	25%
Advanced Graduate Degree	3%

# Sample Disposition

## Corporate Counsel:

Number of Employees in Firm	%
1 to less than 250	29%
250 to less than 500	11%
500 to less than 1,000	5%
1,000 to less than 2,000	5%
2,000 to less than 5,000	11%
5,000 or more	39%
Don't know	0%

Industry	%
Advertising/marketing/PR	1%
Agriculture	0%
Automotive	3%
Consumer goods	3%
Energy	6%
Entertainment	2%
Financial Services	15%
Health	9%
Insurance	15%
Retail	2%
Technology	12%
Telecommunications	1%

## Private Practice Attorneys:

Level/Title within Firm	%
Associate	62%
Partner	19%
Senior Partner	6%
Managing Partner	4%
Senior Partner	9%

Number of Employees in Firm	%
2 to 20 employees (small firm)	20%
11 to 99 employees (medium firm)	38%
100 or more employees (large firm)	40%
Other	1%
Don't know	1%

Type of Law Practiced – Top Ten	%
Litigation	35%
Corporate	19%
Real estate	15%
Personal Injury	14%
Insurance	13%
Family	12%
Labor and employment	9%
Intellectual property	8%
Product liability	7%
Criminal	7%

S4. Which of the following best describes your level or title within your firm?/ S5. How many employees in total, including attorneys, paralegals, administrative staff and IT, are employed by your firm?/ S6. Which, if any, best describes the type of law you most often practice?/ S7. How many employees in total are employed by your company?/ S7. How many employees in total are employed by your company? S8. Which, if any, of the following best represents the industry your company is in?

# TNS Global Company Overview

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- TNS is the world's largest custom research agency delivering actionable insights and research-based business advice to its clients so they can make more effective business decisions.
- TNS offers comprehensive industry knowledge within the Consumer, Technology, Finance, Automotive and Political & Social sectors, supported by a unique product offering that stretches across the entire range of marketing and business issues, specializing in product development & innovation, brand & communication, stakeholder management, retail & shopper, and qualitative research.
- Delivering best-in-class service across more than 70 countries, TNS is part of the Kantar Group.

# LexisNexis Company Overview

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- LexisNexis® ([www.lexisnexis.com](http://www.lexisnexis.com)) is a leading global provider of content-enabled workflow solutions designed specifically for professionals in the legal, risk management, corporate, government, law enforcement, accounting and academic markets.
- LexisNexis originally pioneered online information with its *Lexis*® and *Nexis*® services.
- A member of Reed Elsevier [NYSE: ENL; NYSE: RUK] ([www.reedelsevier.com](http://www.reedelsevier.com)), LexisNexis serves customers in more than 100 countries with 18,000 employees worldwide.

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