

2010 Predictions For In-House Legal Departments

By: Vanessa Vidal

It's safe to say that few in the legal profession were sorry to see 2009 end. This was a year that was marked by one of the worst recessions in recent history, also dubbed the "Great Recession." According to the blog LawShucks, 12,196 people were laid off at 138 large law firms tracked last year. In all, 4,633 lawyers and 7,563 staffers lost their jobs. Now that the dust has settled, everyone is anxiously awaiting to see what 2010 will bring. Most analysts and experts seem to agree that the worst is over. Yet, the economy has been left devastated, and the recovery promises to be a long one. We have taken a look at current trends and interviewed GC's and CEO's to put together our 2010 predictions for in-house legal departments.

While there is always a certain level of enthusiasm along with bringing in a new year, that excitement is not simply seasonal, but based on a historically busier quarter for hiring. The first quarter of the year tends to set the tone. While some recruiters seem to be optimistic about the lateral partner market at law firms picking up, and the thawing of salary freezes, that effervescence may be cooled by some harsh realities.

The dip in unemployment numbers may be a sign that the hemorrhaging has stopped, but if 2010 is slated to be a "better" year than 2009, better is relative. Many predict that we won't get back to full employment – or to about a 5% unemployment rate prior to the recession – until 2013 or 2014. This really speaks to the severity of the job losses that have been absorbed by the economy. They are massive. The economy lost over 7.2 million jobs since the recession began in December 2007.

Law firm partners with a book of business have always been considered a hot commodity, no matter what the state of the economy. So now that more of them may be willing to make a move does not indicate an improved market. Only the creation of new positions and an uptick in associate hiring would signify a real improvement of the market, and no one is seeing or predicting anything like it in the coming months.

What are our 2010 predictions for in-house legal departments? We expect to see a slow return to hiring over the next six months. How slow? It will be highly conservative, with departments looking to hire replacement positions first, followed by critical needs second. We predict that about 15-20% of corporate legal departments will be selectively hiring over the next six months of 2010. If the economy is to stall again, we will start seeing sign of a slow down in the 3rd quarter.

What might this look like over the course of the year?

- Quarter 1 > 5-10%
- Quarter 2 > 15-20%
- Quarter 3 > 20%
- Quarter 4 > 20-25+%

Companies this quarter (Q1) are re-evaluating their needs and considering staffing requirements. Many legal departments have affected cost-cutting measures, and most are now working at or above capacity. As a result, some replacement positions will become available, a small number of companies will hire to re-balance their legal departments, and some companies will look to hire their first in-house counsel. That said, unless we see a determinative change in the economy, the hiring market for in-house counsels will not be markedly different from the market we experienced in 2009. While there will be fewer layoffs, positions will continue to be few and highly competitive.

Who Will Be Hiring in 2010?

We expect few changes in the types of companies that will likely hire in-house counsels in 2010. Companies who will be hiring at a greater rate than others will most likely be in the following industry sectors:

- Health care
- Education
- Government
- Energy (alternative)
- Manufacturing (possible)
- Services (possible)

If the economy does show some signs of a recovery, we could see companies in manufacturing and service enter the hiring circle, albeit conservatively.

- Regulatory/Compliance
- Litigation
- M&A

We can also expect smaller companies to take advantage of the market and hire their first in-house counsels. We have seen an uptick in hiring in the areas of regulation/compliance, litigation, and employment, although the boost in the number of hires was not necessarily significant. We are looking for a re-emergence of deals for 2010, with a conservative uptick in mergers and acquisitions.

What Will Salaries Look Like?

In-house attorney compensation always depends on several factors, including:

- Industry
- Geography
- Size of the Company
- Size of the Legal Department
- Position Level/Responsibilities
- Position Requirements
- Company Finances
- Economic Market

We expect compensation to remain flat for 2010. Salary freezes for current staff, small bonuses, and a reduction in base pay for new hires. Of those companies not cutting lawyer compensation, we can expect the majority of salaries to remain at status quo, and a minority to increase by a lower margin (expected 3%-5% increase in 2010, over 8% in 2008, and 10% in 2007).

Large Company In-House Lawyers (2010): Average of \$200,000 in pay and bonuses. Large Company In-House Lawyers (2009): Average of \$206,000 in pay and bonuses. Large Company In-House Lawyers (2008): Average of \$236,000 in pay and bonuses. Large Company In-House Lawyers (2007): Average of \$226,000 in pay and bonuses.

What Should Lawyers Expect In-House?

For most attorneys practicing with law firms, 2010 will not be the year for them to transition in-house. Why? Because they will see few open positions, together with a plethora of highly qualified in-house counsels fighting for every available job.

For counsels practicing in-house, most will end up having to work more for less money. They will also work with less support – both in terms of outside counsels and internal administrative assistants and paralegals. Resources will be stretched thin. However, legal departments may be more open to selective hiring to handle the increased workload. 75% of the General Counsels we polled said they wanted to bring more legal work in-house for 2010, and 45% said they were actively planning to hire additional staff to handle the increased workload.

What's "hot" for 2010?

Compliance/regulatory is the new in-demand practice area for in-house counsels. Companies will be hiring selectively to fill in the gaps. Those looking for job security should look to develop skills in these areas to demonstrate their value and cost-saving effectiveness.

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