

Corporate Legal Department Layoffs

By: Leslie White

Despite recent reports by the National Law Journal of a study projecting growth of roughly 5% in corporate legal spending over the next six months, corporate legal departments are facing deep budget cuts and corporate legal department layoffs are imminent.

Unlike law firm layoffs that have been widely reported because of a certain amount of transparency, law department layoffs have been much more difficult to track. In most instances, law department layoffs are rolled into company-wide layoffs which makes data gathering and reporting more challenging.

How deep have law department layoffs run? When compared to law firm layoffs, most corporate legal departments have been able to steer away for the type of mass layoffs we have seen at law firms across the country (see post "[Corporate Legal Departments: Feeling the Pinch But Avoiding Mass Layoffs](#)").

However, law departments have been far from immune to layoffs. As U.S. companies continue to suffer from the prolonged recession, corporate legal departments are forced to survive on shrinking legal budgets, and many have had to resort to laying off some of their legal staff.

What Is The Outlook For Corporate Legal Departments?

According to a March 2009 Altman Weil Flash Survey of General Counsel, 74.2% of corporate law department are facing budget cuts in 2009.

- 31% of General Counsels will make headcount cuts.
- 29% of General Counsels plan to reduce lawyer compensation.
- 19% of General Counsels plan to reduce staff compensation.

In-house lawyers are faring worst in industries that have been hit the most by the recession, which includes auto manufacturing, construction, insurance, financial services, real estate, and retail. Reported law department layoffs (reported by companies or tipsters) include:

- AIG
- Bank of America
- Cigna Corp.
- Creative Labs
- Cadence Design Systems Inc.
- Chrysler Motors
- Citibank Group
- CV Therapeutics
- Deutsche Bank
- eBay
- eLoyalty Corp.
- Ford Motors
- General Electric Co.
- General Motors
- Genentech
- Home Depot
- Hyatt Corp.
- Intel

- International Paper
- JP Morgan Chase
- Macy's, Inc.
- Microsoft
- Merrill Lynch & Co.
- Motorola Inc.
- Schering-Plough
- Sony Electronics
- Sprint Nextel
- Sun Microsystems
- Symantec Corp.
- Time Warner Inc.
- Yahoo! Inc.
- Wachovia
- Washington Mutual
- Wells Fargo
- Wyeth
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Mergers, Restructurings, and Bankruptcies Contributing to Layoffs.

Mergers, restructurings, and bankruptcies are also contributing to corporate legal department layoffs. The pharmaceutical industry has been particularly active on the merger front, embarking on gigantic acquisitions. Some of these big mergers will, and some already have, resulted in corporate legal department redundancies and layoffs.

- Oracle/Sun Microsystems
- Pfizer/Wyeth
- Roche Holding/Genentech
- Merck/Schering-Plough
- Gilead Sciences/CV Therapeutics
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Financial companies have fared worst than most, and have laid off large numbers of attorneys as a result of mergers, restructurings, and bankruptcies.

- Bearn Stearns(defunct)
- Citibank Group
- JP Morgan Chase
- Lehman Brothers (defunct)
- Merrill Lynch
- Wachovia
- Washington Mutual
- Wells Fargo
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Who Is More Likely to Be Given The Axe?The majority of U.S. companies have responded to budgetary pressures by cutting back on outside counsel expenses and bringing more work in-house. This strategy has allowed corporate legal department headcounts to remain relatively steady. However, as budgets continue to decrease, some companies are forced to take a critical eye at their legal staff and consider layoffs.In-house attorneys that are most vulnerable to these layoffs are those in legal areas where workflow has slowed, despite an effort by companies to bring more work in-house. As a result, corporate attorneys are most at risk.

In-house counsels in more specialized practice areas such as tax are also more vulnerable.The key to staying off the layoff list is to increase your value in the legal department. That means taking on more

responsibilities and broadening your practice. In-house counsels who survive will be those who can re-tool their skills to handle a wider range of matters and higher-value work.

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