

Corporate Legal Departments Are Feeling The Pinch

By: *Vanessa Vidal*

Law firms are continuing to make waves with mass layoffs, and there does not seem to be an end in sight. What about corporate legal departments? How are they faring compared to their law firm counterparts? Corporate legal departments are feeling the pinch but are avoiding mass layoffs, for the most part.

Very few companies have managed to thrive in the past year, and most importantly no company has been completely insulated from the recent challenging economic conditions. However, for the most part these mass layoffs have not had the same impact on corporate legal department.

Corporate legal departments across industries and geographical regions and have taken measures to control costs. Corporate legal departments are generally looking to do more - that is bringing more work in-house, with less - that is with fewer resources, both in terms of money and staff.

However, while most corporate legal departments have trimmed their budget, in-house legal staffing has remained relatively stable. While companies have instituted salary freezes, reduced benefits and bonuses, most in-house attorneys have been able to hold on to their jobs. In fact, projected staffing budgets are holding rather steady.

There are several reasons for this:

(1) Corporate legal departments are generally thinly staffed to begin with; therefore there is typically little "fat" to be trimmed in terms of legal staffing. As a rule of thumb, companies hire attorneys and legal staff more conservatively, even during good economic times, keeping in mind the "valleys" rather than the "peaks."

(2) Corporate legal departments are trying to bring more work in-house. Therefore, they are engaged in a constant cost-benefit analysis. Corporate legal departments are weighing the cost of outsourcing legal work to outside counsel against the benefits of trimming their internal legal staff, or the cost of growing their internal legal staff. In most cases, corporate legal departments are better off keeping or growing their internal legal staff to handle their existing legal work, rather than outsourcing it to outside counsels.

(3) Finally, layoffs are expensive. Companies are closely looking at the cost of severance packages and other layoffs costs. They tend to prefer using their existing legal resources more effectively, rather than turn to legal layoffs as a budgetary solution.

Are companies considering layoffs? Absolutely. Companies are not immune to layoffs, and many have had to resort to them, but not on the massive scale that law firms have. To the extent that they can, most companies are exploring alternatives.