



**The Changing Entry-level
Legal Employment Market
Leadership Education Roundtable
Santa Clara Law**

March 30, 2012

Presented by

James Leipold, Executive Director

The end of an era...

“Fall Legal Recruiting: Firms Face More Competition in Summer Hiring”

March 2007

“Salaries at Largest Firms Continue to Rise Rapidly”

September 2007

“Market for New Law Graduates at Highest Level in 20 Years”

July 2008

“Salaries at Largest Firms Up Again!”

August 2008

“Market for Class of 2008 Shrinks – Employment Rate Registers First Decline Since 2003”

July 2009

Brave new world?

“Salaries at Largest Firms Peak in 2009”

August 2009

“Entry-Level Recruiting Volumes Plunge, Some Start Dates Deferred”

March 2010

“Class of 2010 Graduates Faced Worst Job Market Since Mid-1990s: Longstanding Employment Patterns Interrupted”

June 2010

“Class of 2010 Graduates Saddled with Falling Average Starting Salaries as Private Practice Jobs Erode”

July 2011

“Law Firm Recruiting Volumes Inch Up, Making Modest Gains After Recession-Era Declines”

March 2011

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The Great Recession

- Direct impact on law firms
- Followed unprecedented bubble in the legal economy
- Collapse of credit market: no credit = no deals
- Law firm transactional work dried up overnight
- Growth of expenses had long outpaced growth of revenues
- Created immediate financial crisis for law firms
- Firms slashed expenses: layoffs, deferrals, de-equitization
- Approx. 12,000 Legal Sector jobs lost in 2008, 41,900 lost in 2009, 2,700 more lost in 2010 (Bureau of Labor Statistics)

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After the Great Recession

- Slow, tentative law firm recovery underway
- As credit loosened, deals came back, transactional work increased
- Litigation was not a strong counter-cycle practice
- Some markets, practice areas, have rebounded faster & stronger
 - Silicon Valley
 - IP work, Patent litigation, Energy law, Health care law, Banking
- Greater competition from LPOs, off-shore firms
- Lawyer jobs increasingly lost to technology
- With European debt crisis, transactional work slowed again

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Permanent changes?

- Higher percentage of work is alternative fee
- Downward pressure on price of legal services from clients
- Law firms trying to create efficiencies, lower costs
- Hiring more non-equity track lawyers at lower salaries
- Smaller summer classes & more lateral hiring
- Huge lateral movement of partners creating instability
 - E.g., demise of Heller, Howrey, etc.
- Law firms rapidly moving away from lockstep, toward competency & levels-based system

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Impact on the Job Market

- 9% fewer private practice jobs
- 20% drop in average salaries
- Higher law grad unemployment & under employment
- Fewer law grads working as lawyers
- New grads competing with displaced lawyers
- More grads seeking alternative careers

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Impact on the Job Market

- Job market for law graduates remains difficult across sectors
- Federal clerkship applications hit record levels
- State court clerkships limited by incumbent clerks
- Public interest hiring limited by funding crises
- State & local government hiring limited by budget shortfalls
- Non-legal job market also remains tough

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Legal Employment Market

Employment Rate Nine Months after Graduation

Class of 2011:	+/-85%
Class of 2010:	87.6%
Class of 2009:	88.3%
Class of 2008:	89.9%
Class of 2007:	91.9%
Class of 2006:	90.7%
Class of 2005:	89.6%
Class of 2004:	88.9%
Class of 2003:	88.9%
Class of 2002:	89.0%
Class of 2001:	90.0%
Class of 2000:	91.5%
Class of 1999:	90.3%

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Legal Employment Market

<u>Employer Status</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Bar Passage Req'd	74.7%	70.8%	68.4%
JD Preferred	8.1%	9.2%	10.7%
Other Professional	4.9%	5.4%	5.6%
Other Non-Prof	1.3%	1.8%	1.9%
Continuing Studies	2.4%	3.1%	2.9%
Seeking Job	5.4%	6.0%	6.2%
Not Seeking Job	2.3%	2.7%	3.2%

Source: NALP's Jobs and JDs, Class of 2010

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Legal Employment Market

<u>Employer Types</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Private Practice	56.2%	55.9%	50.9%
Business	13.4%	13.5%	15.1%
Government (inc mil)		11.8%	11.4%
12.8%			
Judicial Clerkships	9.6%	8.7%	9.3%
Public Interest	5.4%	5.7%	6.7%
Academic	2.3%	3.5%	3.7%

Source: NALP's Jobs and JDs, Class of 2010
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Legal Employment Market – Class of 2010 Characteristics

- 27% of all jobs reported as temporary
- 11% of positions reported as part-time
- 8% of jobs were both temporary and part-time
- 71% of jobs were both full-time and permanent
- 2.7% of all grads employed by their law schools
- 23% of employed indicated seeking other work
- 5.7% of all private practice jobs were solo practitioners
- 9.4% remained unemployed

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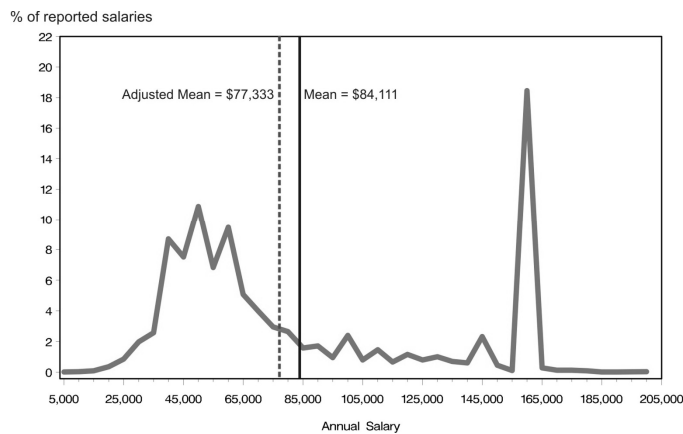
Legal Employment Market

Classes of 2009 & 2010 Starting Salaries

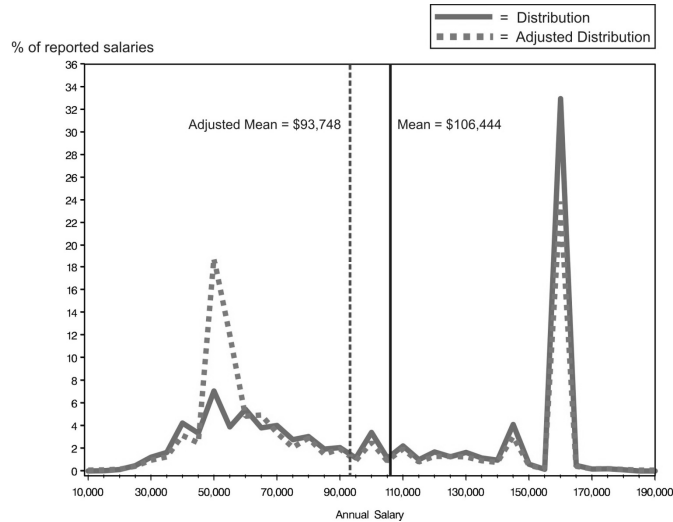
	2009	2010
Median Salary:	\$72,000	\$63,000
Mean Salary:	\$93,000	\$84,000
Adjusted Mean:	\$85,000	\$77,000
Median Firm Salary:	\$130,000	\$104,000
Mean Firm Salary:	\$115,000	\$106,000
Adjusted Mean Firm :	\$103,000	\$94,000

Source: NALP's Jobs and JDs, 2009
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Distribution of Reported Full-Time Salaries — Class of 2010



Distribution of Reported Full-Time Law Firm Salaries — Class of 2010



Private Practice Employment

Employment in Law Firms by Size of Firm

<u>Size of Firm</u>	<u>Percent of Private Practice Jobs</u>
Solo	5.7%
2-10	39.1%
11-25	8.9%
26-50	5.3%
51-100	4.2%
101-250	5.6%
251-500	6.0%
501+	20.5%
Unknown	4.9%

Source: NALP's Jobs and JDs, 2010

Starting Salaries: Private

Median Starting Salaries by Size of Law Firm

2-10	\$50,000
11-25	\$64,000
26-50	\$75,000
51-100	\$85,500
101-250	\$110,000
251-500	\$145,000
501+	\$160,000

Source: NALP's Jobs and JDs, 2010

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Summer Program Class Sizes

Average Class Size

- **8 in 2011**
- **8 in 2010**
- 12 in 2009
- 13 in 2008
- 13 in 2007
- 12 in 2006
- 12 in 2005

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Summer Program Length

National Average Summer Program Length

2011:	9.4 weeks
2010:	9.3 weeks
2009:	9.7 weeks
2008:	10.9 weeks

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Outcomes of Summer Programs

entry-level Offer and Acceptance Rates (Current 3Ls)

<u>Offer Rate</u>	<u>Acceptance Rate</u>
91% in 2011	85% in 2011
88% in 2010	82% in 2010
69% in 2009	85% in 2009
90% in 2008	80% in 2008
93% in 2007	77% in 2007
93% in 2006	75% in 2006
91% in 2005	73% in 2005
91% in 2004	72% in 2004
87% in 2003	77% in 2003

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Fall Recruiting Outcomes for the Class of 2012 (Current 3Ls)

Number of Employers Recruiting 3Ls

18% in 2011

15% in 2010

3% in 2009

25% in 2008

42% in 2007

53% in 2006

42% in 2005

31% in 2004

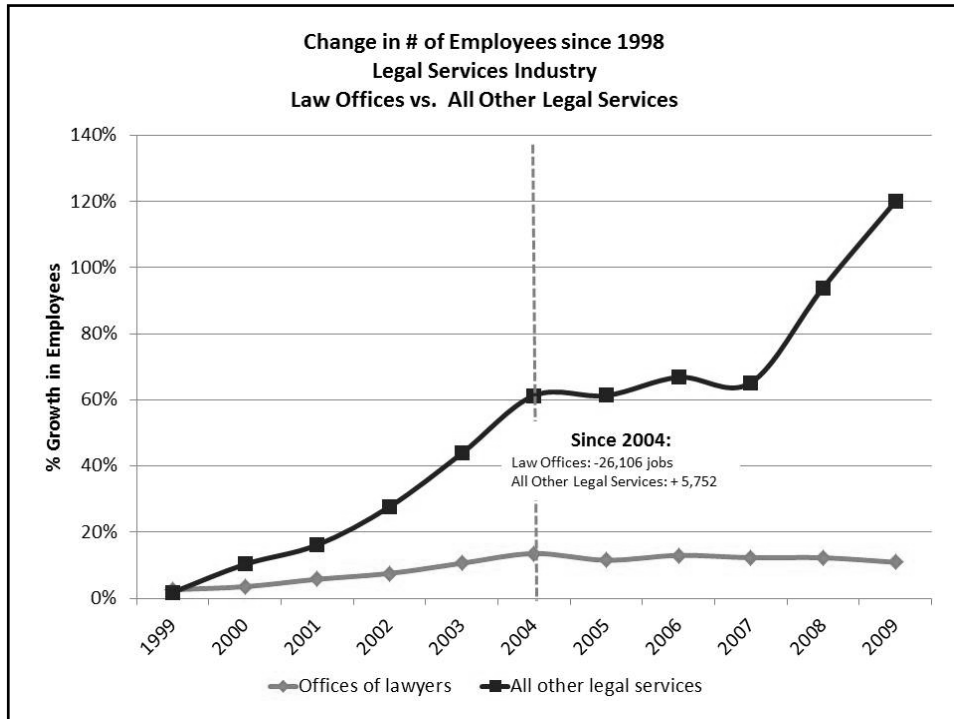
34% in 2003

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Fall Recruiting Outcomes for the Class of 2013 (Current 2Ls)

Median Number of Offers Extended

<u>Firm Size</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
701+	11	12.5	8	18.5	30
501-700	13	19	19	11	16
251-500	14.5	10	9	8	19
101-250	8	9	6	12	17
<u>100 or fewer</u>	<u>4.5</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>4</u>
All Employers	10	9	7	10	15



Law Student Loan Debt

- In 2010, 44,245 ABA law school graduates took on \$3.6 billion in student loans (up from \$3.1 billion in 2008)
- In 2010, average debt for graduates who borrowed money to attend law school was \$97,310 (roughly \$69,000 for public law school grads and (\$106,000 for private law school grads)
- Class of 2020 projected to borrow \$7 billion in student loans, with public grads averaging \$118,000 and private school grads averaging \$157,000

Call for Greater Transparency

- Push for “transparency” has created new pressures and challenges for legal education
- Mainstream media and scam bloggers have focused negative attention on legal education and law graduate debt, salaries, and employment prospects
- Multiple class action law suits have been filed against ABA-approved law schools essentially alleging fraud
- US Senators have made inquiries, may hold hearings

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Questions and Discussion

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