

The Challenge Of Change Facing Legal Recruitment

By Rachel Davies, Recruitment International

The legal market is experiencing some of the biggest change it has ever gone through, in terms of working structures and employment practices. RI spoke to some leading legal recruiters to explore the changes happening in the market.

Having been hit hard by the recession, confidence now appears to be returning to the sector, with findings from the recent Robert Half Legal Hiring Index showing that over 80% of lawyers are confident in their company's prospects for growth in the next two months. It indicated that litigation, bankruptcy and foreclosure, as well as labour and employment law, are the practice areas expected to see the most growth in the fourth quarter. With other hot topics including the increase in flexible working practices and a persistent dearth of women at partner level, there was plenty to provoke discussion.

Avinder Laroya, Partner at Serenity Law LLP said: "The UK is seeing a growing drive of female entrepreneurs and women stepping up to serve as Directors on company boards." She pointed out that this is in contrast to the legal world, where "many women are attracted to the legal profession at trainee level, which is positive. However, retaining women to reach more senior roles can be a challenge. Changes can be made with the review of diversity policies."

Recent research from the Law Society revealed that 45% of solicitors with practising certificates are female, but only 21% of partners are women. Many recruiters I spoke to said that although this may take a long time to balance out, the flexible working practices being implemented by most firms will go some way to improving it.



Fiona Severs, Managing Director of niche legal recruitment firm Lexington Gray, explained how law firms' outlook changed during the recession: "They are now more likely to look at business drivers and consider recruiting more flexibly. Small and medium law firms are looking to recruit to their exact needs and there has been an increase in both flexible and permanent part-time positions with law firms increasingly hiring someone to work permanently for only two or three days per week."

Fiona established Lexington Gray three years ago and says that the biggest obstacle at first was law firm suspicion of flexible working: "They equated flexible work with part-time working and part-time work with being less committed. It was difficult to get them to see that often, those people who choose to work flexibly are the most committed and ambitious. Many lawyers with family responsibilities want to go back to work if possible and not necessarily because they have to. They enjoy their jobs and miss the challenge and stimulation that a career in the law presents. Having invested so much time and energy in becoming a lawyer in the first place they are reluctant to give up on their careers at the first hurdle."

Fiona explained that law firms that allow a degree of flexibility are often rewarded by employees who are both loyal and highly committed to making the arrangement work for both parties.

However, it is not just the lawyer and the firm that benefit. It has been shown that job sharing enables law firms to provide a more flexible service to their clients. The flexibility of two lawyers

covering one role means that clients get a more seamless service, uninterrupted by sick leave or holidays. This also makes it easier for the lawyers to deliver 100% of their targets.

Fiona said: "we are seeing a surge in interest in flexible work. Firms are reacting to the fact that clients no longer want to pay by the billable hour. Law firms are no longer measuring contribution by hours and are tailoring their departments to demand. There is a growing realisation that when it comes to fixed fee arrangements, skillset and efficiency are more relevant than the number of hours spent in the office. Clients don't care how the firm delivers a service so long as it is done well, on time and on budget." This means that firms can avoid the risks and costs associated with unnecessary headcount. Teams need to be very flexible to meet clients' demands.

Lexington Gray has experienced year-on-year growth since its establishment and Fiona will be looking to add to the team in the near future.

Nick Stevens, CEO of Eximius Group, commented on hiring trends in the legal department of his firm: "As with Oil & Gas, hiring demand is level across 2010 and 2011 in the legal sector. We place lawyers into law firms across London and Asia Pac (especially Hong Kong) and we see continued demand throughout 2011 for candidates. During 2010, it is worth noting, there was a massive increase in legal hiring appetite against 2008 and 2009. We registered 114% more roles in the legal sector in January 2010 against January 2009, whereas only a 2% increase from Jan 2010 to Jan 2011."

Over the past few years he has seen a major increase in hiring activity amongst US practices. The majority of their hiring has taken a more ambitious

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approach, with the recruitment of marquee partners and teams in the UK. A recent example of this being the major US firm Weil Gotshal hiring the entire Clifford Chance Funds Team. US firms are also able to offer partners far bigger pay packets with many partners rumoured to be earning guaranteed £1m+ packages upon joining.



RI spoke to Gareth Quarry, Director of specialist legal recruitment firm Shilton Sharpe Quarry. SSQ was founded in 2003 and specialises in recruiting for law firm private practice, commerce and industry and broking law firm mergers.



Gareth said that pressure on fees, as clients grapple with cost control and economic uncertainty, is one of biggest issues he is facing in the sector. He said: “clients are happy to pay proper fees for added value service – differentiate your offering and they will pay, follow the homogeneous crowd and you will be squeezed. Of course clients quite rightly want greater value for money and we respond accordingly. SSQ is unique amongst the legal recruiters in being able to source lawyers for clients across our network of offices in 9 countries. Well run, meritocratic recruitment businesses needn’t suffer in recessions. SSQ’s revenues and profits grew materially through the last recession. Any fall off in the recruitment of junior lawyers and general counsel was more than counterbalanced by a dramatic increase in the number of partners and senior GC’s placed. Whilst 2011 will be the best in the company’s history, we have every confidence that 2012 will eclipse 2011 even as we likely slip into

double dip recession.”

Gareth expects to see ever larger numbers of law firm partner moves in the next year, stating that in a global recession, a greater number of partners move (upstream or downstream) compared to in a boom.

He said: “SSQ is unrivalled in its penetration of the partner end of the legal market and also senior general counsel positions. Our objectives for the business are to consolidate our position as the global market leader in legal and to add a number of new geographies to our international network of offices.”

“We currently source lawyers for our clients across our platform of 17 offices and associate offices and our international clients are asking us to enter new geographies – including the Far East and South America. Our private practice and commerce and industry businesses in our offices in London, Frankfurt, Munich, Madrid, Paris and Milan are all looking to hire additional experienced consultants to cope with their burgeoning workload. In addition, we would entertain acquiring another high quality, niche legal search business.”

Regarding clients’ flexible working practices and fixed term contracts, Gareth said that private practice law firms and the legal departments of companies and financial institutions increasingly need to scrutinise their cost bases and look for more opportunity to convert fixed into variable costs via the employment of temporary, contract or other externally-employed lawyers.

He said: “law firms face a financial imperative which necessitates them finding more innovative cost structures but they cannot do this at the expense of quality. The UK legal market is nothing like as mature in these areas as other international markets - for example the

US. Which direction it follows will in part be dictated by macro-economic factors largely outside the control of legal employers.”

He explained the current buoyancy in the market by stating that, “as we slip inexorably into a second recession mired in deep economic gloom, the associate market is likely to slow down (as it did in 2008) but any diminution will be more than made up by increased partner moves (as again happened in 2008)”.

According to Gareth, smaller private firms such as SSQ are faring well in comparison to publically quoted international recruitment firms: “within the legal staffing market, amorphous public companies have historically found it impossible to grow their legal functions organically to achieve their true potential. Top management tends not to understand Legal. Many long established public companies have voiced surprise that a recruiter specialising in “that derisory sector of Legal” could possibly build a material market cap. The mega players tend to shrink in a recession – SSQ is living proof that legal businesses should, counter intuitively, be able to grow exponentially in dark economic times.”

He agrees that there is a more cautious approach to recruitment at larger staffing firms, stating that they need to be cautious, as their model favours tiers of unproductive, expensive management whose salaries are paid for by the foot soldier consultants beneath them.

By contrast, Gareth said: “within SSQ every one of our directors bills fees – why wouldn’t they? Running a recruitment business need not be complex – hire the right people, provide them with an unrivalled brand and support, train them in the right behaviours and incentivise them...and let them run.”

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The lack of female representation at partner level within law firms, he attributes to an inescapable tension, saying that law firm hierarchy and timelines mean that the time when associate solicitors are being lined up for consideration as partners coincides with the period when most female lawyers who want children contemplate starting a family. He acknowledges that the hours demanded in the law to serve clients effectively requires a juggling robustness and attitude, which makes combining work and children a challenge and leads to inevitable attrition.

However, he says there are plenty of examples which prove the point that in a fair, efficient and well run law firm, the ablest lawyers - male or female - will rise to the ranks of partner and they can do this alongside raising a family. He emphasised that the issue needs to be viewed holistically - no matter how reasonable the employer, there needs to be give and take at home - "guys - accompanying children's doctors' appointments does not need to be the reserved domain of women!". As with any walk of life, the ablest, most flexible and determined succeed.

He views client pressure for diversity as a hot topic at the moment, though observing that right-thinking employers address this in the natural course of business. He said: "able lawyers of whatever minority or other group, will succeed. However it will be interesting to see whether some employers sacrifice diversity on the altar of economic expediency."



Charles Elderton, Director of Chadwick Nott, said that many

law firms now actively promote their flexible working practices. In more and more instances law firm employers are realising that by offering flexibility



they can retain and attract good talent, especially in the 'hard to recruit for' niche areas of law.

Chadwick Nott is one of the largest legal recruiters in the UK with six offices, including in London. They recruit at all levels both in private practice and In-house, as well as for permanent and temporary positions.

Charles said: "Law firms are being required to think long and hard about their business model in such a competitive environment. Law firm mergers are increasing, either through a fire sale need or as a result of a need for an economy of scale. The insurance market, with its commoditised approach and low margins is a good example of an area going through rapid change. Partners are under ever increasing pressure to deliver to the bottom line. There has been a multitude of new niche firms setting up as groups of breakaway partners have simply had enough of the internal issues, politics and pressures of a large law firm. On the other side of the coin, many large City firms have increased their international expansion programmes to become even larger and more global. This is leaving a swathe of mid-tier of firms grappling with how they should grow and in what direction."

In the downturn, those that were able and had the vision actively recruited at partner level, to build up in key areas, at a time when there was some good disillusioned talent on the market. In some cases, firms were even able to open up complete new offices in new locations.

There is clearly a group of very large firms that are moving at a pace ahead of the others and the gap is increasing. After much change and restructuring,

profits are increasing once again. However this is not the case across the board. A number of large firms are facing challenging times with pressures not just externally, but also from within. Only time will tell who survives. The story is not dissimilar at the other end of the scale. There are those small firms with clear strategies, perhaps in a specific niche or sector, with a low cost base and run on a different model. Again, others are hanging on and withering, unable to compete effectively or to attract good talent.

Charles said: "Since we entered the downturn it would be fair to say that many employers, whatever their size, tightened up their recruitment processes - whether by way of an extra interview step, interviewing more candidate or undertaking more due diligence. Senior level recruitment has generally always had more scrutiny, especially when we were in the depths of the downturn. In some instances any offer would be contingent on the hiring law firm meeting with the instructing client of the candidate to be satisfied that any new work would come their way. Now that we are back into a candidate driven market there has been some slackening off, especially in a competitively driven piece of recruitment where speed may well be of the essence. In such a case a commercial risk analysis must be taken. Candidates with skills in funds, FSA and non-contentious insurance work are sought after, and consequently can perhaps expect a salary increase on a move. Law firms need to ensure they are properly engaging with and recompensing such lawyers as part of their own retention strategy."

He thinks that law firms still have some way to go before the level of female partners significantly increases above 20%, and that how quickly this will be achieved; if ever, is a moot point. Charles said: "It is becoming more common for law firms and companies to require diversity information statics

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or require candidates to complete a diversity form before attending an interview. We ask all registering candidates to complete an on-line anonymous survey, the results of which we post monthly onto our website. Law firms themselves are often required by their clients to provide diversity information as part of their tender process for new instructions. It is now used as a key benchmark, along with a firm's Corporate Social Responsibility programme."

Charles said that with home-based working now much more common than even a few years ago, numerous firms have been able to retain and indeed attract high quality talent by offering them the option to work from home. With limited need to undertake the long commute or with no reason now to relocate, subject to the necessary IT infrastructure and remote management systems, this is a growing phenomenon. He said: "a variety of issues are affecting the sector, including increased pressure on margins, maintaining ones position on any Preferred Supplier Lists, the pros and cons of using CV portals, ongoing candidate acquisition challenges, competition with law firms themselves as they seek to attract candidates directly. We don't expect the UK market to materially change over the next 12 months when one considers the current economic backdrop. We anticipate a fairly flat recruitment market with an on-going recruitment need by our clients."

Chadwick Nott is looking to further expand its international presence in Australasia and other jurisdictions. In 2011 it has become the largest provider of civil lawyers to the 'super' legally aided law firms and is building up its Managed Service delivery product to certain clients. They are also seeking to further strengthen their senior Law Firm Management product offering of

C-Suite, HR, Marketing & BD and Risk & Compliance Directors to our law firm clients.

Charles commented: "We have been growing Chadwick Nott through 2010 and 2011 both in terms of Consultant headcount and in new markets. He has noticed an increase in private practice and in-house clients satisfying their recruitment needs through the use of fixed term contracts, often between three and twelve months. This allows them some flexibility where they are unsure of likely workflow. He has also seen an increase in law firms considering and using interim lawyers on a temporary, hourly rate basis.



BCL Legal, which was established in 2003, has become one of the leading legal recruitment consultancies in the UK. It now has a network of offices in Manchester, Birmingham, Leeds, Liverpool, Bristol and Reading. The firm deals with the placement of lawyers at all levels; from paralegal to partner within the private practice and in-house legal sectors on both a permanent and temporary basis.



James Batt, director of BCL Legal, commented: "Like many industries, the legal sector has been hit hard by the recent economic turbulence and things are still uncertain. The restrictions in bank finance is inhibiting deal flow - and therefore growth - which means confidence remains low. However, I'm hopeful things will pick

up over the next 12 months. Moving forward, one of the big challenges for the wider legal profession is the advent of 'Tesco Law' but this is more relevant to the high street market which isn't a major part of our business. All of these have a knock on effect and alter recruitment patterns and plans.

I'd expect the more buoyant sectors - such as personal injury, insurance and employment - to carry on growing so legal recruitment firms will need to make sure their offerings mirror these demands. Firms of all sizes need to keep their eyes open and remain switched on to change. Those that don't look to the future - and those which are afraid of change - will be the ones that suffer. It's all about being responsive and knowing your market inside out and those principles apply to recruitment businesses of all sizes and in all industries. Clients are also expecting even more value for money and are squeezing margins. However, as a company you must have faith in what you do and reaffirm your value."

James believes that proactive and effective relationships are now more important than ever, so recruiters need to be delivering and exceeding expectations. He said: "We'll be working hard to further grow our presence around the country and build on our regional knowledge. Legal markets vary hugely around the country so our team must have an acute understanding of their 'patch' and the firms who operate in them. It will also be vital for us to focus on niche areas and offer a more disciplined service."

"The majority of our consultants are trained lawyers so their knowledge and insight is what the business is built on. The key for us is to carry on developing our team, honing our service and squeezing our competition. We'll also be aiming to grow our reach and expand

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into London.”

James cautiously predicts that the whole market will improve and grow in all areas. He sees the strong areas: PI, insurance and employment, continuing to prosper over the next year or so. The demand is there, so it's a relatively good time for lawyers specialising in those sectors.

Regarding the possibility of growing the team, he said: “We're always on the lookout for the right people, but it's essential they're a good fit with the existing team. M&A isn't on our agenda at the moment but if the right opportunity came along and it was beneficial to the firm then who knows.” James is slightly more sceptical about the boom in flexible and home-working, believing that they are great in principle but it all depends on the individual firm and the attitude of its team. Although he agrees that this kind of working structure is more common than it was, he doesn't see it becoming the norm. He has seen more and more candidates enquiring about it, but stated that there's no ‘one size fits all’ answer.

James puts the dearth of women as partners in law firms in part down to the expectation versus the reality of being an equity partner at a large commercial law firm, as it doesn't always sit well with family life. He said: “there are exceptions to this and some firms are more accommodating than others, but it's vital for candidates to approach and pick the culture that's right for their lifestyle. Attitudes are changing but the Law will always demand a lot of those who work in it so there would need to be a fundamental cultural shift for the situation to be reversed.”

He stated that fixed term contracts tend to become more prevalent when the market – whatever the specialism – takes a positive turn; this was certainly the case when the residential property sector started to pick up after the

recession. The benefit of them is that they allow firms to deliver the work without incurring the costs or pressures of a permanent member of staff.



Martin Chivers, Director at Career Legal, said: “Recent times have witnessed many changes and developments in working practices. How did anyone work before email and the web, most certainly not from home!”

“Over the past few years, professional legal recruitment has experienced many challenges with different specialist areas taking turns being very active but on the whole the qualified market had remained steady. Legal support recruitment has equally faced many challenges, particularly coping with the introduction of new technology, outsourcing and the change in working practices in a modern office environment, culminating in higher secretary-lawyer ratios.”

Career Legal has been recruiting staff for law firms since 1991, including lawyers, paralegals, compliance, finance, secretarial, creative/DTP, facilities and business development personnel, on both a permanent and temporary basis.

Martin told RI that as markets gain momentum once again, the main challenge for him is that there are more new roles than there are candidates. The very good candidates are being selective about whether to move or are able to receive multiple offers. Competition for good candidates is a prevalent issue across all divisions. Confidence in recruiting is returning and the number of new instructions rising, yet the supply of good candidates across all sections is slow. Responding to increasing client

instructions, Career Legal has recently strengthened its facilities team and added business development and marketing teams to the brand. During the recession, they maintained staff levels and with demand on the rise in most areas, they have recently appointed further consultants across many sectors.

Martin said: “We are actively seeking to increase our headcount, as our clients have remained loyal and enjoy the continuity of long-standing consultants knowing their business.”

Whilst he hasn't noticed any definitive increase in Fixed Term Contracts, he believes this is an area to watch in the New Year with the Agency Workers Regulations (AWR) being in full swing. He agrees that diversity has been of huge significance for major firms over the past few years, noting that resources have remained the same in CSR, Pro-Bono and Diversity measures.



Debbie Collett, Director at First Counsel, gave her views on the legal recruitment market. First Counsel specialises in the recruitment of senior law firm management professionals covering HR, marketing, business development, Finance and IT as well as general management. Debbie has over fifteen years' experience within recruitment, having managed the in-house recruitment function at Herbert Smith, prior to joining First Counsel in 2005.

Regarding flexible working practices, Debbie said: “A number of firms during the height of the recession, most notably the likes of Norton Rose and Pinsent Masons, introduced a flexible working policy by allowing employees to work

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a four day week which ultimately meant that they made no or very few redundancies. The firms who chose to go down this route have benefitted subsequently from the very positive PR they have received from both an internal and external perspective, as they are perceived to be firms who care about the welfare of their people. On the flip side, firms who didn't go down this route and who ended up making large scale redundancies have suffered."

She added: "Employees are also looking to have more flexibility in their roles, which is often seen on a par with or of greater importance than salary. This can either be as a reduced working week or working from home. With improvements in technology this has become much easier to achieve."

From her perspective, there are four areas that are particularly buoyant in legal recruitment – client relationship management, business development, general and commercial management and risk management. There is also a bigger emphasis on roles having a global remit.

Debbie said: "The legal market is going through more change than it ever has. There are large international firms as well as smaller ones who are embracing this, and there are firms who aren't. The ones who are (despite their size) are doing well and the ones that aren't will suffer, if they haven't already. With the introduction of the Legal Services Act and increased regulation the legal sector, law firms are having to become more 'commercial' and are facing stiffer competition than ever before."

She noted that larger firms are still doing a lot of recruitment on the business support side, but there is no doubt that they have raised the bar in terms of the calibre and quality of the individuals that they are looking for and hence the length of the recruitment process is often longer. Firms are less

likely to recruit just for the sake of it – they would rather have no-one than the wrong person in a role.

There are a number of trends that she is seeing on the business support side, including firms building closer and better relationships with clients and managing them in a more cohesive, coordinated way.

They are also reducing costs and improving efficiencies which may involve outsourcing (LPO and wider), offshoring or near-shoring. The number of firms investigating different pricing models and moving away from the classic 'hourly' rate is also rising. Increased presence and coordinated working on a global scale is becoming more prevalent.

If the market continues as it is, First Counsel will be looking to increase their headcount in the next 6 to 12 months. Debbie added that, as they see a lot of synergies between the legal sector and other professional services partnerships they are planning to branch out more into these areas.

Overall, the legal recruitment market seems generally buoyant, with optimism about growth levels over the next year despite the uncertain economic climate.

Any slowdown in the recruitment of junior lawyers has been balanced out by the activity of partner moves. Success for law firms and legal recruiters, independent of size or sector, looks to depend on adapting to change such as the demand for flexible working and an increasingly competitive environment.

Employment law will be an interesting area to watch, with the recent implementation of the AWR. Crucially, recruiters must know their markets and gear themselves up for the longer and ever more exacting recruitment process required by law firms.

The insider

By Jimi Matthews

They get what they deserve

My colleague said something very interesting the other day, a simple glib comment that had a multitude of truth behind it. My colleague's off the cuff comment was "they get the recruitment company they deserve". This comment was based around a call he'd taken from a client who had a problem with one of their hires. This client had previously interviewed one of his candidates.

They had wanted to hire the candidate, but had also received the same CV from another agency; this agency was aware of our involvement and had offered to provide the candidate for 50% less than us, despite having done nothing for the fee. They went with the other agency and now, 3 months later the same agency had taken the candidate from them and placed them elsewhere. My colleague felt justifiably indignant about the situation.

This message is about consultative recruiting, talking to clients about the pitfalls of recruitment and providing a service which in its self justifies the fee.

Yes it is true that you get what you deserve but all clients deserve the best from their recruiter and this story is a message to us all, pre-warning clients and selling your service over and above the candidate is key.

What gets in the way of the provision of a good service differs from client to client but one constant remains, US. How we explain the service, how we ask what service they want and how we deliver that service. Top quality service comes from an open line of communication to the hiring manager and communication throughout the process.

This column continues monthly, only in Recruitment International.

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