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Tales of the recession

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This is the year the recession hit the legal profession. Lawyers and support staff were cut by the hundreds. Law firms went belly up. Court dockets burst with foreclosures and bankruptcies while budgets everywhere went bust.

Buried under the statistics are those most affected by it all. The overworked judge, the unemployed paralegal, the laid-off associate and the law firm manager focused on damage control.

The National Law Journal reached out to people across the profession to find out how the downturn changed their lives.



THERESA PRATER, 59
Paralegal | Phoenix

Theresa Prater has spent the recent weeks teaching an introductory course for would-be paralegals.

There is a tinge of irony to the fact that the laid-off paralegal is ushering in a new generation of legal assistants, since it makes her own job search that much more difficult. But Prater sees the recession as a blip, not the beginning of a decline in the need for paralegal support.

"I think lawyers are going to have to go back to having an adequate professional staff," Prater said. "Clients aren't going to want to pay attorney fees for paralegal work."

Online job boards indicate that paralegal hiring has started to pick up in the bigger markets, Prater said, but the situation remains stagnant in Phoenix, a city still reeling from the foreclosure crisis. Prater said she is honest with her students about the lack of opportunities right now and encourages them to do what they can to get experience, even if that means volunteering at a firm or legal department.

The recession hit Prater head-on in January, when she was one of two senior paralegals laid off from a small commercial litigation firm in Phoenix that specializes in subjugation cases. Even with 27 years of paralegal experience, Prater is finding the path back to employment a bumpy one.

Although attorney layoffs dominate the headlines of legal publications, law firms across the country have dismissed legal staffers in even greater numbers during the past year. Among AmLaw 200 firms, some 3,097 lawyers have received pink slips since January 2008, according to *The American Lawyer*, an affiliate of *The National Law Journal*. The Layoff Tracker maintained by *LawShucks* indicates that the ratio of support staff-to-lawyer layoffs has been at least 2-to-1 and often 3-to-1.

It's not just the sheer number of out-of-work paralegals that makes it tough for the experienced paralegal to snag a job. She has heard from her still employed friends that jobless attorneys are also applying for paralegal positions, further deepening the pool of job seekers.

"I have probably sent out 400 résumés or letters of interest," Prater said. "I've sent them to law firms and to hospitals, as well as large medical practices with [federal medical privacy] compliance issues. I've had some interviews, but it's been sporadic. "

Prater suspects that her nearly three decades of experience at a variety of litigation firms isn't helping her search. Her annual salary before she was let go was \$55,000 plus bonuses, with a matching 401(k) plan and medical benefits.

In fact, she said, attorneys have told her they are intimidated by a paralegal with her wealth of experience. Picking up contract work at larger firms has been a no-go as well, since they are scrambling to keep their own

paralegals busy right now. Prater recently secured some contract work from a solo practitioner at pay below market rate. The compensation for contract paralegal work in Phoenix is about \$25 per hour, she said.

Prater's unemployment benefits — \$241 a week from the state of Arizona and an additional \$25 in federal money — are due to run out in January, and she and her husband have already cut back their spending to the bare essentials.

"The biggest part of it is psychological," Prater said. "You tend to think you've lost your self worth and you have to kick yourself." — *Karen Sloan*



ROBERT HAYS, 51
Chairman | King & Spalding, Atlanta

Robert Hays has walked a tightrope during this recession. As head of Atlanta-based King & Spalding, he's had to respond to the downturn by cutting attorneys and reducing expenditures, as have the majority of other major law firms. At the same time, he's needed to convey the message that the firm is fundamentally sound.

"Err on one side and it comes across as panic. Err on the other side and it is unrealistic about the challenge that the market presents," he said.

Complicating matters for his firm and others has been the immediate dissemination of internal communication to *Above the Law* and other online sources of news and rumor. Firms like his are so large that it's impractical to make announcements in person or by phone, and the increased popularity of blogs means that news travels faster than ever.

"We've worked hard to try to strike that balance with precise communication and tailoring communication to many different audiences, given that there's such public transparency of communication," he said.

Hays spends much more of his daily routine conducting risk assessment. With margins tight, every business decision — and there are more to make these days — is critical. "Complacency is the biggest risk," he said.

King & Spalding was among the law firms that expanded the most in 2008, adding 178 attorneys. According to the NLJ 250, *The National Law Journal's* annual survey of the nation's largest law firms, King & Spalding had 992 attorneys. As of July 31, it had 831 attorneys. — *Leigh Jones*



MEGAN SMITH, 35
Former associate | White & Case, Washington

Megan Smith figures that getting laid off was one of the best things ever to happen to her.

Smith was let go in November 2008 after working for six years as an associate in the international arbitration practice of White & Case. Smith was pink-slipped during the firm's first round of layoffs, which culled 70 lawyers and 100 staff members in the United States and London. Getting the boot has given her a chance "to enjoy the present" and figure out what she wants to do next, she said.

She has take the opportunity to travel to seven countries during the past 10 months and has taken classes in French and Arabic. "Having time to focus on myself and my friends and family has been good for me. I'm a completely different person," Smith said.

As for many big-firm lawyers, taking time off is something out of the ordinary. "My mom told me that I've been going hard since I was 13. Maybe it's OK not to be going so hard for a while. Besides, it's nice to wear flowy skirts and flip-flops every day."

With few financial obligations and only herself to be responsible for, Smith figures that she can afford to take a year off because she had been socking away much of her salary since starting work at White & Case. She wouldn't disclose what the firm paid her, but law firm recruiters report that sixth-year associates typically pull down \$250,000 a year plus bonuses. She sold her BMW and canceled her cable service. And renting an apartment in Washington's DuPont Circle area is much cheaper than owning a house, she said.

Although Smith isn't ruling anything out, she is fairly certain that whatever she does next with her career will probably take her outside the world of major law firms. "I truly enjoyed my time at White & Case. They gave me a great opportunity, and I have no ill feelings toward the firm," Smith said. "What I do know is that whatever I do next, I'll be coming at it knowing that I have taken the time to determine that it is the right fit for me. It's exciting." — *Jeff Jeffrey*



PHOEBE HADDON, 59
Dean | University of Maryland School of Law, Baltimore

A dreadful job market and the ballooning price of a law degree have created a situation



that Phoebe Haddon has never seen in her 28 years teaching law. "People are really starting to question whether the value of law degree is worth the cost," she said.

Haddon, who became dean of the University of Maryland School of Law in July, said there are ways to contain the costs of securing a law degree. As the new dean, she's treading lightly for the moment in identifying exactly where the savings should occur, but noted that faculty scholarship is funded "on the backs of students." She'd like to see faculty members spending more time teaching. "We need to use the semester better so both [teaching and research] can be accomplished."

Since 1985, the average cost of tuition for in-state students attending public law schools has soared from \$2,006 to \$16,836 in 2008, according to the American Bar Association. Between 2000 to 2008 alone, the tuition costs rose by 116%.

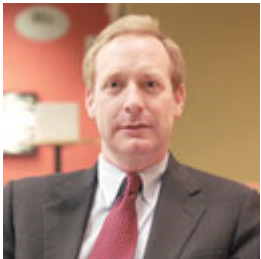
Haddon is working with practitioners, government attorneys and career-services professionals to develop ways to help students find jobs.

Haddon, a first-time dean, joined the University of Maryland from Temple University James E. Beasley School of Law, where she was a professor focused on constitutional law, torts and race and ethnicity.

She is quick to concede that the price of tuition — \$34,000 a year at her school, for example — limits job choices for debt-laden graduates.

There is no quick-fix to the problem, she said.

"I don't think we've come up with the right answer," she said. "I'm optimistic. That's probably why I like being a dean." — Leigh Jones



BRAD SMITH, 50
General counsel | Microsoft Corp., Redmond, Wash.

With his legal department's budget slashed by 15% and a head count cut by 5%, Brad Smith has needed to work smarter with fewer resources.

"Closing deals and bringing in revenue is more important than ever," he said.

The toughest part of his job during the past 18 months has been laying people off, he said.

Smith has served as general counsel of Microsoft Corp. since 2002. Before the cuts, the company's legal department had a \$900 million annual budget and 1,050 employees, 43% of them attorneys.

Smith was charged with making across-the-board reductions — a task, he said, that required meticulous and decisive management.

The company has sought a 10% reduction in legal fees charged by outside counsel and has further consolidated its list of preferred providers to 10. It has moved farther away from the billable-hour model with outside counsel, and Smith has spent far more time managing budgets than in the past.

One of the most significant changes has been the amount of time that Smith spends talking to the people in his department. With employees anxious about job security and the performance of the company, he has needed to communicate more often with them about decisions and direction.

"The biggest change has been to manage through cutbacks," he said.

From a general counsel's perspective, Smith has observed two basic reactions from law firms faced with less business: They either reduced rates to keep their market share or maintained rates and lost smaller clients.

He has an opinion about which strategy ultimately will work best: "Firms that decided to maximize market share will be the biggest winners."

At this point, Smith is cautious about making assumptions regarding whether the economy has bottomed out.

"Everyone wants to declare victory, but it's too early to know." — Leigh Jones



MARINA SIRRAS, 65
Legal recruiter | New York

Legal recruiter Marina Serras is no stranger to economic downturns and the havoc they can play on the attorney job market. She guided her business through slumps in 1987, the early 1990s, after the Sept. 11, 2001, attacks and the dot-com bust.

The past year has been the hardest of her 23 in the business — hands down. Although



the lateral partner market has remained steady, associate placements have fallen off significantly. Sirras finds herself playing cheerleader for her eight staff recruiters, trying to keep their spirits up even though business is down.

"It's a struggle, no question about it," Sirras said. "I have to keep people optimistic that things will change. I've seen this before."

Sirras has watched as other recruiting firms cut staff, gave up their offices or just closed their doors. She hasn't taken any of those measures, and said she's more confident by the day that she won't need to. Positions seem to have been opening up in recent weeks.

"I see a glimmer of hope," she said. "I keep encouraging my recruiters that it will come back, but I tell them that it will be different."

Different from the somewhat frantic hiring climate that preceded this downturn, that is. Sirras recalls the not-so-long-ago days when law firms "couldn't get enough bodies to put on the deals."

When the hiring market does recover, firms will be far more targeted in their searches, looking for candidates with specific skill sets for their available positions, Sirras predicted.

"I tell my recruiters we're going to go back to the basics." — *Karen Sloan*



JOSEPH LARSON, 28
Graduate | Creighton University School of Law, Omaha, Neb.

It wasn't supposed to be this hard — not with a Juris Doctor in hand.

Like so many recent law school graduates, Joseph Larson bought into the idea that a law degree was something of an employment magic bullet.

"When I went to law school, I never thought I would have a problem getting a job," he said. "I heard that pretty much everybody gets a job, and that's not the case right now."

With a master's degree in fiction writing and more than a year's experience in sales at UnitedHealth Group Inc., Larson figured he could put his writing and presentation skills to good use as a lawyer.

He graduated in the top third of his class at Creighton University School of Law in Omaha, Neb., in May, with plans to become a litigator. He worked part time at Omaha's Gross & Welch while in school, completed a summer clerkship for a federal district judge and received an award given for the top 15 student-written law review articles of the year nationwide. But for more than a year, his efforts to land an attorney position near his hometown, St. Paul, Minn., fizzled. He networked and interviewed for months with attorneys at a variety of firms in the area to no avail. It didn't help that the Twin Cities is home to four law schools, all with new graduates seeking work.

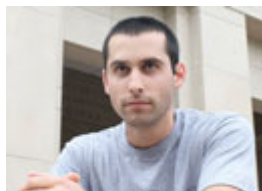
"The majority of the people I've talked to have been complimentary about my résumé, but they just aren't hiring right now," Larson said. Government positions proved no less elusive.

Four months without a job forced Larson to deviate from his plans, and become more flexible about the types of legal jobs he would accept. The would-be litigator opened up to the possibility of doing everything from insurance to defense to an in-house position. In the meantime, he interviewed to be a substitute teacher at his old high school to generate some income.

Just when it appeared that Larson was headed to the classroom instead of the courtroom, the clouds broke. Midway through September, he was hired at Holstein Law Group, a three-attorney firm in Minneapolis specializing in employment law and business litigation.

Larson had interviewed with the firm last fall, but like so many others it wasn't hiring at the time. Larson liked the attorneys and stayed in touch, and he got the call as the firm faced a growing caseload.

"It's all about networking and following up with people," he said. "You just keep in touch and hope that they need help at some point." — *Karen Sloan*



AARON TERR, 24
Law student | University of Virginia School of Law

When Aaron Terr began studying for the Law School Admission Test, he was living in a different world. It was early 2008, and few people — certainly not this 24-year-old biology major from Bay Shore, N.Y. — could have predicted the financial meltdown that lay ahead.



By the time he was applying to law schools in fall 2008, he had a fuller awareness of the troubled economy, but his plans were already in motion. He figured, as many lawyer-hopefuls do, that his smarts and determination would protect him from the downturn.

"Since that time, I've only learned more about how bad the situation has gotten," said Terr, now a first-year student at the University of Virginia School of Law in Charlottesville. Terr heard from second-year students that, during fall campus interviews, candidates were getting fewer callbacks and offers. "It's a grim scenario," he said.

Terr estimates that his student loan debt will total about \$200,000 by the time he graduates, but his more pressing concerns are those critical job interviews next fall that likely will determine his fate after he graduates.

"I'll be interviewing only one year from now," he said. "I like to tell myself that we've hit rock bottom, but the problem is how much it can turn around by the time I interview." — *Leigh Jones*



JENNIFER BAILEY, 51
Judge | Miami-Dade County, Fla.

Jennifer Bailey had no idea that she'd need to become a foreclosure expert when she began her career as a judge in 1993. Back then, she handled the occasional residential default case, but they were generally straightforward matters involving run-of-the mill mortgages.

This year, foreclosures ate up about 75% of her docket and those of her colleagues, and most of those cases involved odd-ball subprime agreements. "Once you get past that it's not a 30-year, fixed-rate mortgage, you have to figure out what the law is about with all this other stuff," she said. "Most of us aren't used to the twists and turns."

Florida has the second-highest residential foreclosure rate in the country — behind Nevada — with one in 40 homes receiving a foreclosure filing. The onslaught in Bailey's jurisdiction has been profound. Between January and June, Florida's 11th Judicial Circuit Court, which covers Miami-Dade County, handled 34,417 residential foreclosures. By comparison, during the same period in 2006 the number was 3,474. "The challenge on a day-to-day basis is to keep morale up," Bailey said.

In January, Bailey, as administrative judge of the civil division for Miami-Dade County, began spearheading a task force devising a way for the division's 25 judges to deal with the foreclosure flood. By August, the group had issued its recommendations, including mediation between lenders and homeowners to reach a resolution faster. Bailey is optimistic about the program, which is under way in her county, but she knows there aren't any quick fixes to housing industry's unraveling.

"Talk about too big to fail. Florida is too big to fail," she said. "Somebody's going to have to live in these houses." — *Leigh Jones*



ANDREW MORRIS, 51
Member | Carr Maloney, Washington

Andrew Morris had been thinking about changing firms for a while. After 15 years at Chicago-based Mayer Brown, he wanted to join a smaller firm so he could get back to working more closely with clients.

When the economy took a nosedive late last year, moving to a smaller firm brought an added bonus: the chance to offer clients lower billing rates. In April, Morris made his move, leaving Mayer Brown for Washington's Carr Maloney, a litigation boutique with four offices in the Washington area. He exchanged a firm with more than 1,000 lawyers across the country for one with 25 lawyers.

"There wasn't one deciding factor that caused me to leave Mayer Brown. I loved my time there," said Morris, who focuses on complex commercial litigation. "But a smaller firm offered a cluster of things that were attractive to me, including more flexibility on fee arrangements."

Much has been made of clients pushing back against Big Law prices in a down economy, and Morris' clients were no different. "Big firms are great, and there are certain things only they can do," he said. "But I wanted to do the same interesting and useful work as I had been doing, only with more flexibility. That flexibility comes in that we're not charging the rates that big firms are charging."

Two Washington-based consultants said that billing rates at a firm the size of Carr Maloney typically run between 30% and 50% lower than those charged by a firm the size of Mayer Brown.

Morris is making more use of alternate billing arrangements now that he is at Carr Maloney. He that said those arrangements include staged or incremental billing and fixed-price billing. His past clients have included Ikea Properties, Ameritech Corp., and Ernst & Young LLP.

"The economic pressures for a small firm are just not the same. The overhead is much lower and you're not staffing matters with a 10-lawyer team. My clients appreciate that," he said.

As for the work, Morris' role is a little different at Carr Maloney.

"You're not going to be lead counsel on some huge class action, but you're still doing the same exhilarating work that you were doing before," he said. "In the end, it's still the same person sitting across the table." —
Jeff Jeffrey