

Law Quadrangle (formerly Law Quad Notes)

Volume 52 | Number 2

Article 6

Fall 2009

Special Feature: Jobs In Firm

University of Michigan Law School

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Recommended Citation

University of Michigan Law School, *Special Feature: Jobs In Firm*, 52 *Law Quadrangle (formerly Law Quad Notes)* - (2009).

Available at: <https://repository.law.umich.edu/lqnotes/vol52/iss2/6>

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FEATURE

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A TUMULTUOUS YEAR COULD LEAD TO MAJOR CHANGES IN THE WAY LAW FIRMS OPERATE

By Katie Vloet

Layoffs. Cutbacks. Entering into redundancy consultations.

Whatever the terminology, there's no way to avoid the hard truth: This has been the worst year at law firms in recent history.

Firms have cut back on staffing, deferred new hires for a few months up to more than a year, and trimmed salaries in a quest to prevent further layoffs.

The layoff tracker at lawshucks.com charts the downturn month by month and firm by firm. Stalwarts such as White & Case, Allen & Overy, and DLA Piper are near the top of the list with hundreds of attorney and staff layoffs in 2009.

"I think the big picture is, you see all the large law firms with global, diverse practices are figuring out how to deal with the decline in the demand for legal services," says Tom Leatherbury, firm hiring partner with Vinson & Elkins in Dallas.

"That's why you see everything from very dramatic layoffs, de-equitizing partners, and hiring freezes to

more moderate decisions such as deferring start dates by a couple of months, adjusting compensation systems, and shortening summer programs by a few weeks."

Yet some glimmers of hope are flickering on the horizon.

A few areas of law and some regions of the globe continue to experience growth, in spite of the recession. Some mid-sized and boutique firms remain on stronger ground. Some see this dramatic downturn as a time to rethink the way that law firms conduct business, with the possibility that they will be more efficient and flexible in the long term. And call them heretics if you'd like, but members of a growing chorus are saying that it's healthy for firms to cut back on lavish summer programs and the wining and dining of potential hires.

So what changes lie ahead for new graduates, associates, and partners? Which adjustments could contribute to a fundamental shift in the way Big Law firms operate? And is it *really* the end of the billable hour and the \$160,000 starting salary?

We interviewed experts around the country for their insights into the changing landscape of the legal field. The story that follows will present some answers, predictions, and bold proposals for ways that firms can prevent such a pervasive upheaval from occurring in the future.

Survival tips for firms

Few, if any, firms will emerge from the downturn without at least some bumps and bruises. Many big law firms in particular have been affected in staggering ways: mergers with other firms, massive layoffs, or even closure.

It's been an eye-opening experience for a field that had thrived in recent years. Some outside observers, as well as people within Big Law, think that the events of the past year suggest that major changes are necessary if firms hope to rise up from the current downturn. Here's what they say:

- **Reconsider the billable hour.** Many have predicted that firms will make a permanent retreat from the billable hour, at least among young associates. Even if it doesn't disappear, the billable hour may not remain the predominant method by which clients are charged.

"It's not necessarily the end of the billable hour, but we are seeing more openness to flexible billings and portfolio pricing," notes Hilary Worchell, a recruiter and member of Mestel & Company's partners, groups, and mergers practice in its Los Angeles office.

- **Focus more on clients' needs.** A focus on high-quality service could be one long-term outcome of the economic downturn. Firms are forced to compete harder for clients, including against foreign companies that often provide services at lower costs, but can distinguish themselves by providing the best service.

"The unsettling recession is trickling up to us in the legal profession. ... Clients stop suing. There is uncertainty among placement directors. The Federal government is not hiring many lawyers, nor are the states."

—Quote in a *New York Times* story, Feb. 24, 1982—27 years ago

"The good news is that law firms are having to figure out how to be more flexible and how to be more in tune with their clients. Often people criticize big law firms as being an entity unto themselves, and not in tune with their clients or the overall economy.

"The strongest law firms are the ones that are figuring out how to be flexible, to look at hiring in a new light, to be more in tune with their clients. I think introspection is always good," Leatherbury notes.

- **Learn from smaller firms.** Many midsized and small firms have been leaner than Big Law for years. For instance, while staff cuts could mean an end to the one-to-one ratio of attorneys to secretaries at larger firms, "we've had a three-to-one average for 20 years," says Richard Zussman, '80, CEO of Jaffe Raitt Heuer & Weiss in Detroit. "And I think we're more flexible because of it."
- **Cut the size of summer programs.** In the five U.S. offices of Houston-based Vinson & Elkins, 13 1Ls were employed over the summer, compared with 55 the previous year, says Leatherbury. Like many of its counterparts, the firm did not hold pricey parties for summer associates and did not conduct on-campus interviews in the spring for 1Ls. "We've still kept the substantive piece, but not the big receptions," he says. "It's sort of a reset in how we approach the summer associate program."

Survival tips for individuals

New graduates entered law school with the understanding that they would have secure, high-paying jobs upon graduation. And “there are associates who worked their tails off in law school, and worked and killed themselves 16, 18 hours a day, seven days a week. The aspiration everyone had was that their compensation would be very high,” notes Jerry Kowalski, founder and senior principal of Kowalski & Associates, a law firm consulting company in New York.

“They did all the right things, and they’re the really unfortunate victims.”

So what should they do? And what about associates and partners who have been laid off or are concerned that they will be?

- **Expect less compensation.** The days of the \$160,000 starting salary are over, according to many people in the field. Clients are becoming less inclined to pay for fresh hires to work on their cases, and because of that, some say the trimming of starting salaries was all but inevitable.

Some compare the trend to the bubble-bursting that occurs on Wall Street when stocks are viewed as overpriced. “I think we’ll continue to see a retreat from 160. It’s like a market correction,” says James Leipold, executive director of the National Association for Law Placement.

A year or two of an apprenticeship or internship after law school might help to ease the transition to associate status, say Leipold, Kowalski, and others. That would mean a lower salary bracket for new hires, and a higher scale after employees “graduate” to the next level. Adds Kowalski: “As President Obama says, everybody’s expectations need to be lowered.”

- **Consider a second degree**—and not necessarily an MBA. “Something most young lawyers won’t even think about: There is currently, and there will be for the next many years, an insatiable demand for IP lawyers who have training in the hard sciences. People with master’s degrees in an advanced science, such as biotech and energy, are doing well currently and will continue to do well,” Kowalski predicts.

- **Don’t stop practicing law**, especially if you’re a new graduate or a young associate. “New grads especially have to be really aggressive. Even if you’re volunteering at a nonprofit every Saturday—as long as you’re doing something. Stay entrenched in the law,” says Sabrina Joshi-Eisenbrei, ’03, a recruiter and member of Mestel & Company’s partners, groups, and mergers practice in its Los Angeles office.

- **Consider moving** to a different practice area, a new city, or a smaller firm. In other words, go where the work is. Litigation, bankruptcy, intellectual property, regulatory, and employment law all have picked up or are expected to, while medical malpractice, workers’ compensation, and mergers and acquisitions have stalled.

(A)fter 17 years of steady and sometimes spectacular growth, it’s hard to find many big-firm lawyers who remember an industrywide downturn. Since 1991, when George H.W. Bush was in the White House, Barack Obama was leaving the presidency of the *Harvard Law Review*, and Tim Berners-Lee launched the first website, Am Law 100 firms have doubled in size and gross, while the profits of their partners have shot up by a dizzying 215 percent. The firms now sit delicately on a large and lush plateau, from which there is a long way to fall.


—From *The American Lawyer*, April 29, 2009

The West Coast may bounce back before other parts of the country. Several firms opened new offices in the Los Angeles area in the past year, and firms in the city are likely to pull out of the recession more quickly because it is a litigation-driven market, Joshi-Eisenbrei predicts.

In addition, some boutiques are still hiring, as are overseas offices of some U.S. firms. The second hundred biggest firms based in middle markets showed the most growth in 2008, according to a story in *The American Lawyer*. “Midsize law firms in the Midwest, outside the biggest cities, are hiring lawyers, opening offices, and bringing on new associates this

fall as they fare better than many larger urban rivals in the face of the recession,” noted an article in *The National Law Journal*. One reason for this, notes Joshi-Eisenbrei, is that “midsized firms have fared better in the sense that they may not be as leveraged in the financial markets.”

- **Ask yourself whether Big Law is really the direction you want to take.** Deferrals may be eye-opening for young lawyers. If the economy turns around in the next couple of years, deferred associates very likely will begin the careers they had planned in the private sector.

Others, though, could learn during their deferral that they favor the public sector or public interest law. “Maybe when they look back on this, they’ll realize that it worked out for the best,” says Frank Michael D’Amore, principal, Attorney Career Catalysts. 



the job search, with help from michigan law

Current students, new graduates, and alumni have inundated the offices of Career Services and Public Service with calls and e-mails since the onset of the economic downturn, seeking help with finding a new job, a first job, or a summer job.

At the Office of Career Services, inquiries from alumni and recent graduates began to wane a bit after springtime—but questions from current students worried about the economy have been consistent throughout the year, Assistant Dean for Career Services Susan Guindi, '90, notes.

Guindi, Dean Evan Caminker, and alumni working at some Chicago and D.C. firms where students were employed for the summer held conference calls in which they discussed tips for 2Ls. The Office also coordinated an event in New York in June at which students in summer programs met with alumni at their firms.

Afterward, Guindi held conference calls for students from around the country who worked at law firms this past summer, and she relayed the tips she heard from alumni, including:

- "First and foremost, you've got to do your best work this summer; the quality must be impeccable. In addition, you should demonstrate initiative and be visible, and work with many attorneys at your firms."
- Reach out to alumni at firms where you worked during the summer. "Don't wait for them to come to you," Guindi advised students.
- Look at smaller firms in major markets or smaller, regional markets, or both.
- "Don't rely exclusively on on-campus interviews. You should also conduct a mailing campaign, as there are many employers that offer wonderful experiences but simply don't come to campus to recruit."
—KV

making the most of a deferral

Having accepted a deferral from Latham & Watkins in Chicago, Katie Walton, '09, is spending her first year out of Michigan Law in the guardian ad litem program of Chicago Volunteer Legal Services Foundation (CVLS). She appears in court regularly, and is learning how to manage a caseload, talk with clients, and collaborate with other attorneys.

Even though she is doing something very different from what she once planned, Walton still thinks she is very lucky.

"I really want to do litigation in the future, so it's great to get the court experience," she says. "This is giving me the opportunity to really hone my skills."

The firm is paying her a stipend during the period of the deferral, which means that CVLS only has to pay for her computer and phone usage while she provides legal services for dozens of clients.

"The benefit is huge," says CVLS Executive Director Margaret Benson. "I can't afford to hire someone to replace a staff member who is going on maternity leave"—the staff member who typically handles the guardian ad litem cases—"so having someone coming in full time to replace her is huge to me."

Walton's experience at Michigan Law, in particular in the Child Advocacy Law Clinic, first piqued her interest in working in this field. Once she accepted her firm's voluntary deferral offer, she contacted organizations and professors for ideas about where she could apply. Assistant Dean of Public Service MaryAnn Sarosi, '87, and others told her that CVLS would be a good organization with which to work.

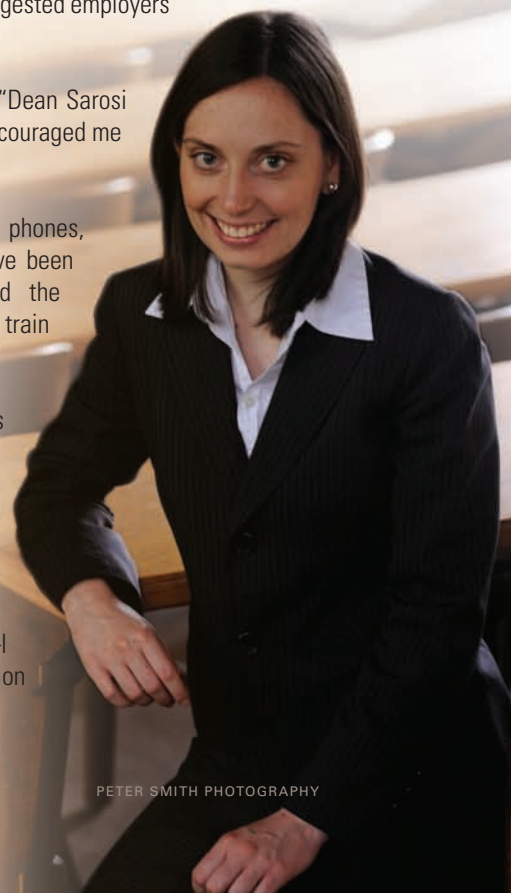
Walton was one of dozens of students and alumni that Sarosi's office and the Office of Career Services have helped to find placements. "Dean Sarosi was extremely helpful after I found out that I had been deferred," Walton says. "I met with her several times, and she suggested employers to contact and gave me great interview tips."

When Walton learned about CVLS, she says, "Dean Sarosi knew a lot about the organization and really encouraged me to take their offer."

Though some nonprofits do not have the phones, computers, and space for associates who have been deferred by their firms, CVLS already had the infrastructure in place because its function is to train and support volunteer attorneys, Benson notes.

That's good news for Walton. Just three years ago, she knew little about law firm deferrals; now that they are commonplace, she's making the most of the situation.

"When I started Law School, I don't think any of us would have anticipated it," she says. "I'm sad to not be starting at Latham in the fall—I love the people there—but this is a good solution for everybody." —KV



PETER SMITH PHOTOGRAPHY

going public Lawyers seek steady ground as firms struggle

With so much turmoil in the private sector, many lawyers are setting their sights on public interest groups and government agencies. The result is more competition for these jobs than ever before, and a large, talented field from which organizations and agencies can choose. On the flip side, though, some employers are wary of using their resources to train job candidates who may be looking only for a life raft, and will return to firms as soon as the economy recovers.

At the Federal Election Commission (FEC), Deputy General Counsel Christopher Hughey has heard from many applicants who might not have sought government work in the past, including “some who might acknowledge that they are presently out of work.”

Based on numbers alone, the interest in FEC jobs has grown dramatically, Hughey says. In 2007, for instance, one attorney position in the agency’s litigation division attracted about 80 applicants. In 2009, a similar job drew in 271 applicants—more than three times as many as two years before.

A similar phenomenon is occurring at the U.S. Coast Guard. Lt. Cmdr. Martha Rodriguez, the Direct Commission Lawyer Program manager, spoke with some 700 people who were interested in the program—all in her first nine months after she began the job last September. And that’s for a program that is looking to fill just a dozen positions this year.

“We’re seeing people who are older, who are more established in the legal profession, who have their own businesses,” she says. “I have noticed people saying to me, ‘I thought about the service and wasn’t sure, but it seems like a good option now.’”

At the U.S. Department of Labor (DoL), one anecdote helps to illustrate what was happening in the early spring of 2009, when law firm layoffs were peaking. The department posted a job in March, and all of the applicants who were invited to come in for an interview were employed. Just a few weeks later, the same job was re-posted, and all of the interviewees were unemployed.

Another job posting for an attorney in DoL’s Civil Rights Division attracted 500 applicants this year; the same job would have drawn in 60 to 100 applicants in past years, a department spokesperson says. Part of the increase has occurred because the DoL is recruiting nationwide, and has made it easier to apply for jobs, the spokesperson notes—but the primary factor is the depletion of jobs in law firms.

Public interest jobs also “are now highly competitive because of how many deferred lawyers have flooded the market,” notes Frank Michael D’Amore, principal, Attorney Career Catalysts. “It is almost an embarrassment of riches for public interest organizations. The challenge for those organizations will be devoting the resources to training people who are well intentioned but will likely be gone in six months to a year.”

While some organizations are hiring attorneys, others are struggling during the recession because of the downswing in donations. At the Heritage Foundation’s Center for Legal and Judicial Studies in Washington, D.C., Director Todd Gaziano says many more lawyers are seeking jobs, including some who might not otherwise pursue a nonprofit position.

Additional interest in these jobs, however, “doesn’t mean that we can hire any more than usual—many other nonprofits are cutting back—or that we would be prudent to hire anyone who does not fit our normal criteria,” he says. “We need to be convinced that an applicant who was previously making a lot more money has changed his or her long-term perspective and has done so for the right reasons. Otherwise, we will both regret it in a few months’ time.”

While the competition is tough among applicants, people who currently work for the government or public interest organizations are grateful for the relative durability of their jobs—and they don’t plan to leave any time soon.

“I’ve been in the public sector for my entire career. Seeing law firms completely fold—it’s shocking,” the FEC’s Hughey says. “It makes me personally quite happy to have pursued a career in public service. I didn’t go into it for that reason, but it is nice to have the stability.” —KV

The silver lining, if there is one, is that the legal world may be inspired to draw blueprints for the 21st century.
—Opinion article in *The New York Times*, April 2009



FEATURE

blue helping blue Alumni assist younger generation by conducting mock interviews

Sit up straight. Make eye contact. Know the answer to questions about your favorite Law School classes, and your biggest strengths and weaknesses.

And, for goodness' sake, don't end your sentences with an upward inflection that suggests uncertainty and youth.

"My pet peeve is people whose voice always rises at the end of the sentence," says Jeremy Spector, '97, a partner with Covington & Burling in Washington, D.C. "The 'likes' and 'you knows' drive me bonkers."

Spector lends that expertise about professional demeanor to his alma mater by conducting mock interviews of students between their 1L and 2L years. He asks them questions as if he were conducting an actual interview, then spends time providing thorough feedback.

Learning how to present themselves to potential employers, he says, gives these students an advantage over other job candidates.

"Especially in a more competitive market, it's becoming that much more important for you to distinguish yourself from other candidates," Spector emphasizes. "For better or worse, that may happen on the first impression. The dry run really gives them a chance to work out the kinks. They're the kind of kinks you can't work out when you do practice interviews with your roommate."

Kristin Ann Meister, '04, is another grad who volunteers her time to conduct mock interviews of students. The Alston & Bird associate meets with students in New York City, and in Ann Arbor when she visits each year in the fall.

Among her tips: Know your own resume. It sounds obvious enough, but many interviewees flounder when asked about past work or educational experiences. "Have a two- or three-minute anecdote to tell about each item on your resume," she suggests.

She also advises the students about things to say when the interviewer asks, "Do you have any questions for me?" and "What kind of work do you want to do?"

Spector and Meister say they are happy to have the opportunity to give back to the school that launched their successful legal careers.

"I do it because I loved Michigan Law School," Meister says. "I'm still very interested and invested in the School."—KV

How you can help: Visit www.law.umich.edu/alumniandfriends/Pages/alumnet.aspx, and indicate your interest and area of expertise.

new faculty member's focus: Employability of grads

Michigan Law alumni are among the most-employed in the world, and the School has no intention of losing that distinction.

To that end, the Law School has hired Robert Hirshon, '73, a former president of the American Bar Association. He has a dual role at the School. As the inaugural Frank G. Millard Professor from Practice, he is teaching courses such as practical ethics, law and practice, and others that are designed to help ensure students develop professional virtues and strong ethical character.

Equally important will be his role as Dean Evan Caminker's special counsel on developments in the legal profession.

Hirshon is working closely with the offices of Career Services and Public Service to open up new employment opportunities for Michigan Law students and alumni. He'll also spearhead new Michigan Law initiatives reflecting best practices in the legal profession and examine innovative ways the School can continue maximizing employment prospects for its graduates.

"That's what I love about this new job—there's so much going on in the legal profession right now," he says. "We are being buffeted by economic forces beyond our control, but if we can better understand the environment in which we're operating, we will be able to shape that environment to make it work in the best interests of our students, our profession, and the communities in which we live." —JM

(See p. 73 for more on Hirshon)

