



BAD — faith

BY TIM EIGO

Our Economic Survey of Arizona Lawyers

The legal market is insulated from economic downturns.”

This truism was uttered—at turns confidently, hopefully and, finally, desperately—by legal professionals for the past three years. What profession, the accepted thinking went, was better positioned to weather financial highs and lows? Legal professionals play a vital role in economies good and bad. But how do they do in economies awful?

How awful? The last quarter of 2008 carried the following legal news. And we didn't have to dig far to read these: Each was the lead news item in its publication:

- At many firms, lawyer year-end bonuses have been cut in half.
- Two-thirds of law firms expect lower 2009 revenues: Large and small firms are feeling the pain.
- Government agencies at all levels have instituted hiring freezes, and layoffs are being considered as a cost-cutting measure.
- Nonequity partners may be casualties as law firms cut costs.
- Law firms around the country are continuing to lay off attorneys and staff.
- Major law firms have laid off hundreds of nonlawyer staffers, and lawyers have learned to share staff. Tripling or quadrupling up on administrative help has

become more common.

- In the newest Altman Weil Flash Survey on Law Department Cost Control (www.altmanweil.com/LDCostControl), 75 percent of responding general counsel indicated that their law departments are facing budget cuts averaging 11.5 percent for 2009. An additional 15.6 percent reported that their budgets would increase by a smaller percentage than in prior years.
- National law firm managers have said they don't intend to invest more money in minority recruitment next year, and they may even trim some costs from the programs.
- Some large firms report that they are moving to a one-tier partnership structure and inviting non-equity income partners to make capital contributions.
- Lawyers even have had to ponder the viability of the banks in which they deposit client funds. Bar associations and state supreme courts scrambled to alert lawyers about insurance limits on deposits, and the FDIC eventually moved to safeguard those funds with raised limits.

Pretty awful. But so far, at least, the truism continues to have a glimmer of

truth. Firms and lawyers in many niches continue to survive and even to thrive. A few other stories:

- Creativity is on display as firms form practices focused on distressed real estate and other timely issues.
- Boutique firms that specialize in a variety of targeted areas may be well positioned to ride it out.
- A panel discussion on survival tips for law firms said success can be found in discounted fees, more flexible billing rates and better client relationships.

But who is doing well and is who is doing poorly? We decided to ask.

The following pages illustrate the findings from our economic survey, sent to Arizona bar members (see Methodology on p. 14). We asked about your financial status and that of your employers, and about future expectations. We also learned something about methods lawyers are using to weather a bad economy. In a few instances, we were able to compare responses to the same questions asked in the Bar's 2007 "Economics of Law Practice" survey. And how your answers have changed.

More of our survey results, as well as readers' ad hoc comments, are at www.myazbar.org/AZAttorney.

What You Told Us...

Who thinks things **ARE** better?

- 16 percent of those practicing 5 years or less
- 19 percent of those practicing 6-15 years

Who thinks things **ARE** worse?

- 50 percent of those practicing 26 years or more
- 60 percent of partners in firms with 8 or more partners

How have things changed since last year?

- In 2007-08, more than 50 percent of sole practitioners and more than 60 percent of associates (in any size firm) and partners in firms with 2-7 partners thought their current economic circumstances were better. Forty-five percent of partners in firms with more than 8 or more partners responded that circumstances were better.
- One year later, less than 20 percent of sole practitioners, less than 25 percent of associates or partners in firms with 2-7 partners and less than 15 percent of associates or partners in firms with 8 or more felt their current economic circumstances were better.

Who thinks things **WILL GET** better in the next two years?

- 28 percent of those practicing 5 years or less
- 19 percent of those practicing 26 years or more
- One year ago, 51 percent of men and 50 percent of women thought economic circumstances would get better in the next two years.
- Now, 24 percent of men and 18 percent of women think things will get better.

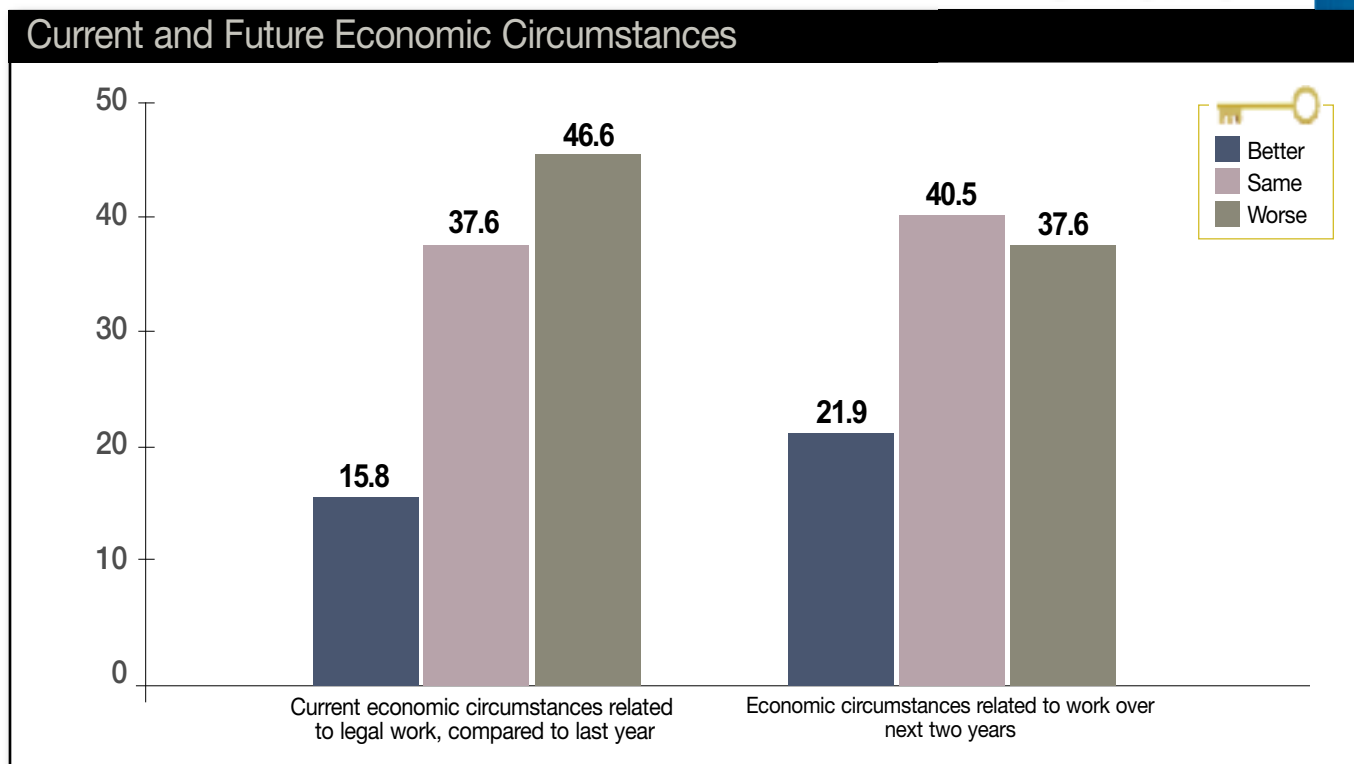
Who thinks things **WILL GET** worse?

- 44 percent of partners in firms with 8 or more partners
- 40 percent of associates in firms with 8 or more partners
- 36 percent of partners in firms with 2-7 partners
- 27 percent of associates in firms with 2-7 partners

Compared to last year, do you think your current economic circumstances related to legal work are: Better, Worse, About the Same?

How do you assess your economic circumstances related to legal work over the next two years?

chart 1



We sent our survey link to 10,000 Arizona Bar-admitted lawyers, randomly generated from the State Bar's database.

A total of 9,455 lawyers received the survey (omitting bad e-mail addresses or member servers that rejected the e-mail). Data were collected via e-mail survey from December 3 to December 12. The survey was closed for tabulation with 2,374 usable responses (2,213 people completed every question)—a 25 percent response rate. An incentive for participation was provided—one participant would be selected to receive a free display ad space (one-third page) in one issue of ARIZONA ATTORNEY magazine in 2009, which they could use for themselves or donate to their favorite charity.

methodology

chart 2

What level of experience will be most affected by the recession?

Level of Experience Most Affected by Recession

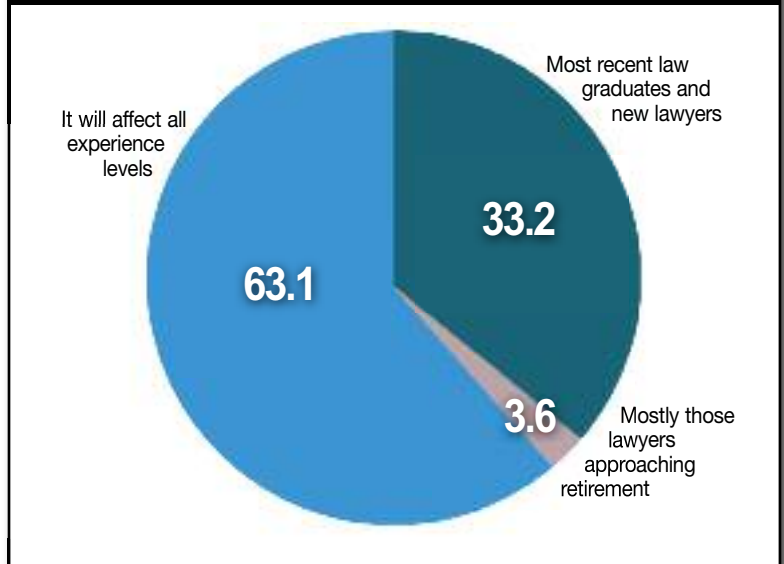


chart 3

What categories will be most affected by the recession?

Categories Most Affected by Recession

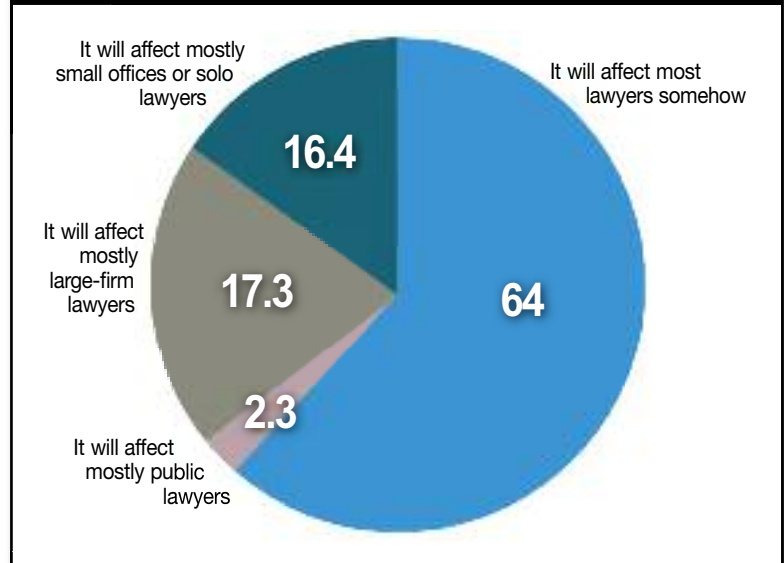


chart 4

How much do you think the entire legal profession will be affected by the recession?

Effects of Recession on Legal Profession

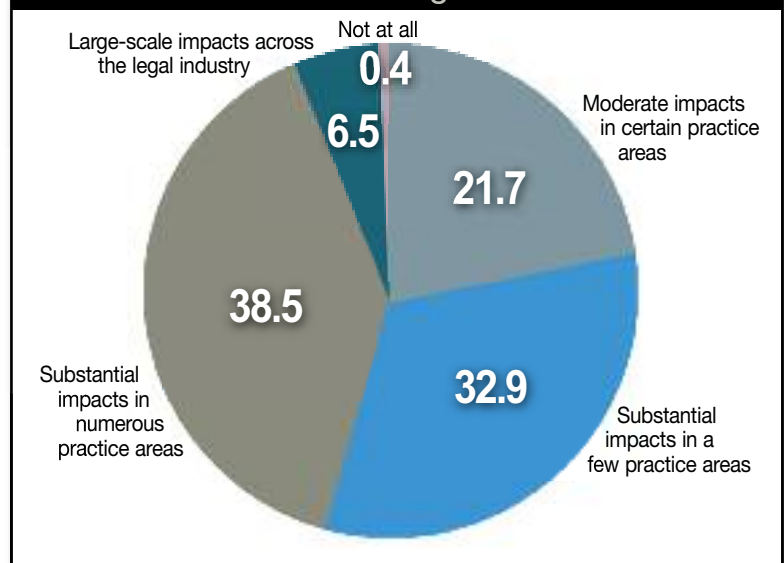


chart 5

How likely is it that the following will occur? (all survey takers)

In 2009, what is the likelihood your law firm or office (across all branch offices) will do the following?

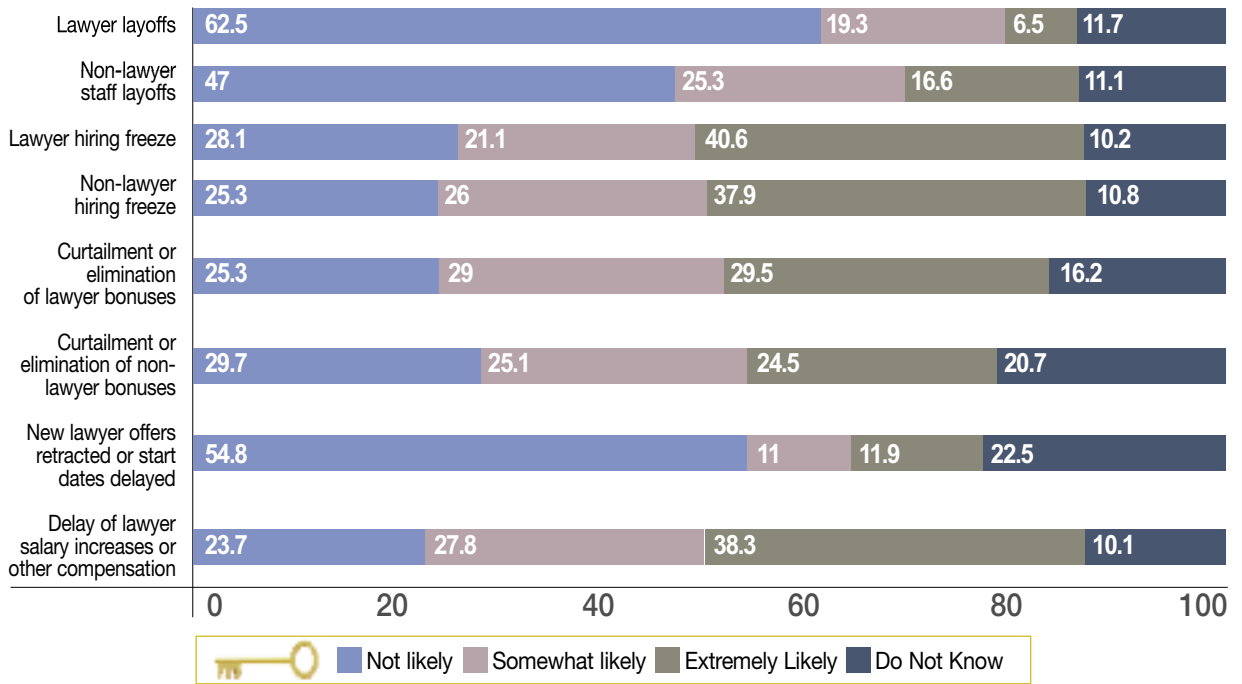


chart 6

How likely is it that the following will occur? (partners and associates only)

In 2009, what is the likelihood your law firm or office (across all branch offices) will do the following?

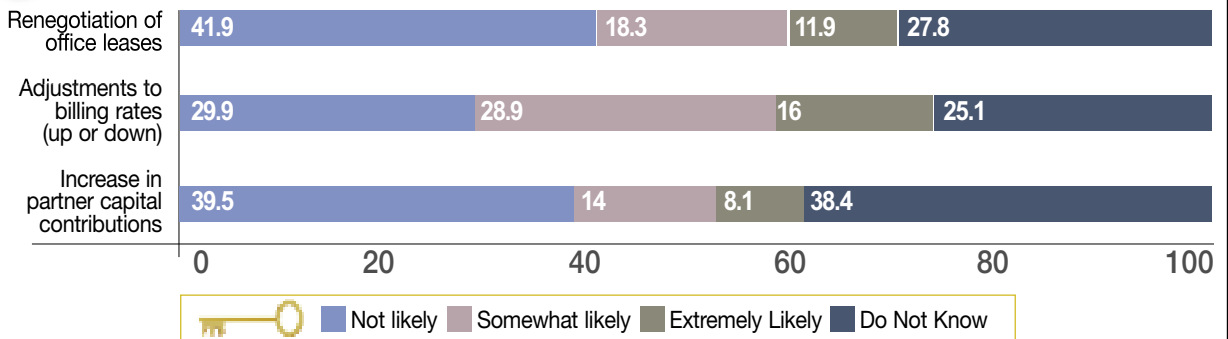


chart 7

How often are payment delays and discounts requested?

Compared to the past, how much are you experiencing the following with clients?

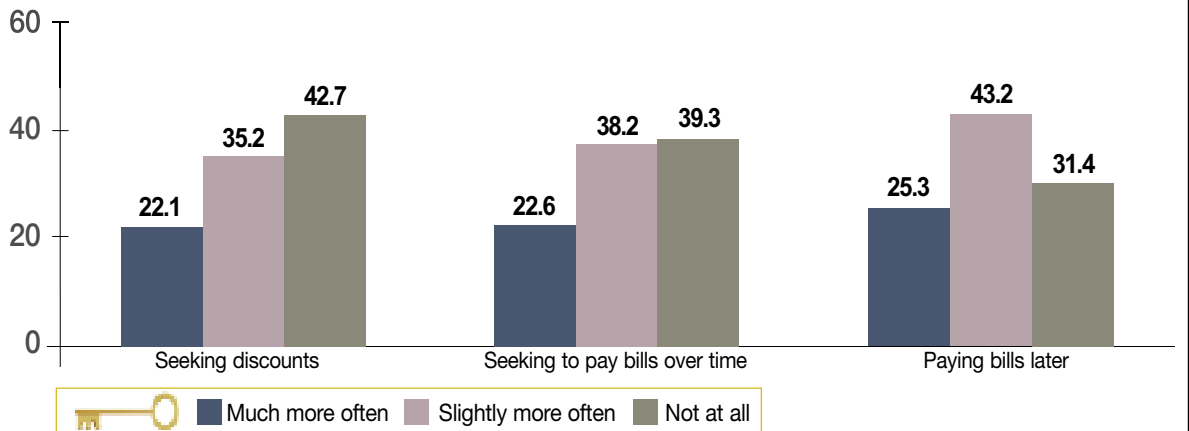
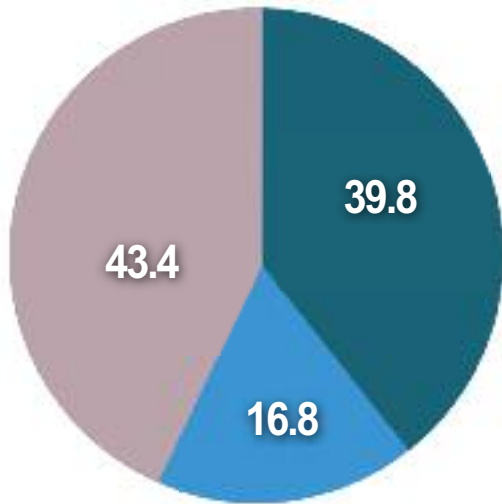


chart 8

Looking to 2009, with respect to your law office, are you: Optimistic; Pessimistic; Uncertain

Economic Sentiment

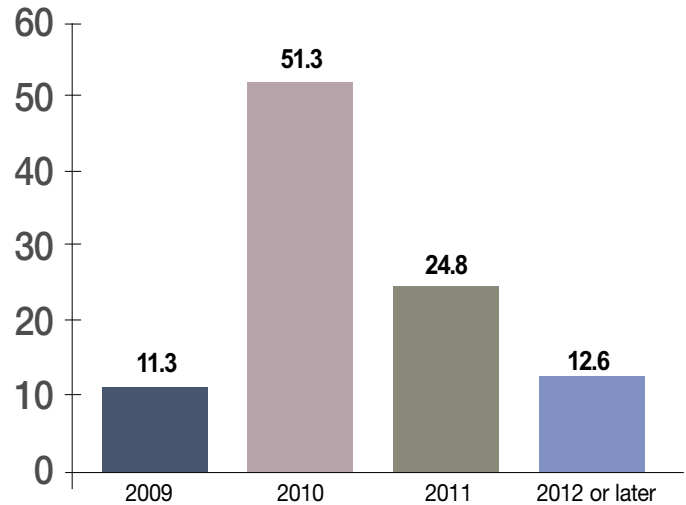



 Optimistic
 Pessimistic
 Uncertain

When do you think the economy will improve for the legal profession?

chart 9

Future Improvement



A total of 2,374 individuals began the survey, and 2,213 completed every question. Of those completing the survey:

chart 10

Who took the survey?

Type of legal position	28 percent were partners or associates in firms with 2-7 partners 21 percent were partners or associates in firms with 8 or more partners 22 percent were sole practitioners 16 percent were government lawyers 13 percent were "other" (e.g., judges, legal services lawyers, in-house counsel, academics)
Number of lawyers in place of employment	32 percent were at firms/offices with 1-2 lawyers 26 percent were at firms/offices with 3-10 lawyers 21 percent were at firms/offices with 11-50 lawyers 21 percent were at firms/offices with 51 or more lawyers
Number of years of practice	20 percent practiced 5 years or less 31 percent practiced 6-15 years 25 percent practiced 16-25 years 24 percent practiced 26 years or longer
Annual gross earnings from legal work	7 percent earned less than \$50,000 34 percent earned \$50,000-\$100,000 39 percent earned \$101,000-\$200,000 10 percent earned \$201,000-\$300,000 10 percent earned more than \$300,000
Age	10 percent were 20-30 years of age 27 percent were 31-40 25 percent were 41-50 27 percent were 51-60 11 percent were 61 years of age or older
Gender	65 percent were men 35 percent were women