

US Legal Sector Demonstrates Resilience Despite Layoffs, According to Jobs Report



Despite scattered layoffs at some of the highest-grossing law firms in the country, the U.S. legal services sector continues to demonstrate resilience as it added jobs in May. According to preliminary seasonally adjusted data released by the U.S. Bureau of Labor Statistics, the legal sector saw an increase of 700 jobs from April, bringing the total to 1,180,400 jobs last month. This count includes lawyers, paralegals, and other legal workers.

While the overall U.S. job growth accelerated in May, with positive momentum, the unemployment rate rose to a seven-month high of 3.7%. This increase suggests that labor market conditions are easing, potentially influencing the Federal Reserve's decision on whether to proceed with an interest rate hike this month.

In the early stages of the pandemic, U.S. legal employers faced job cuts. However, many large law firms took advantage of high client demand for advice on corporate deals and other legal work, resulting in substantial growth in 2021 and 2022. The number of legal sector jobs reached a historic high in July but experienced a modest decline since last summer. However, the sector has seen a rebound starting in the spring, with 3,000 jobs added since March, as per the preliminary figures from the Bureau of Labor Statistics.

While the legal sector as a whole shows resilience, several large U.S. law firms have publicly confirmed layoffs of lawyers, staff, or both since November. These firms include Bryan Cave Leighton Paisner, Cooley, Davis Wright Tremaine, Dechert, Goodwin Procter, Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, Lowenstein Sandler, Perkins Coie, Shearman & Sterling, and Stroock & Stroock & Lavan.

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The layoffs are primarily driven by the cooling of the global mergers and acquisitions (M&A) market and contractions in the U.S. tech industry. According to John Cashman, the president of legal recruiting firm Major, Lindsey & Africa, the effects of these layoffs have not been significantly widespread or deep. Cashman describes the legal sector as stable, despite the absence of major booms or busts.

While some law firms face challenges, others are adapting their strategies. Fenwick & West, a technology-focused firm, has decided to defer the start dates for incoming corporate and technology transactions associates to January 2024. Entry-level litigation and tax associates will now begin in October 2023. This adjustment reflects the firm's response to current market conditions.

According to Cashman, there is an increased demand for litigation and regulatory attorneys, as well as certain areas of banking. He notes that other aspects of the legal sector remain stable and steady. Overall, the legal industry demonstrates resilience in the face of challenges, with job growth and adaptation to changing market conditions.

The U.S. legal sector's ability to add jobs in May, despite some layoffs, showcases its ability to navigate through turbulent times. As the industry evolves, it remains a vital component of the economy, providing essential legal services to individuals and businesses alike.