

Legal Employment Growth in Top U.S. Firms Slows Amidst Changing Landscape



In response to a combination of stagnant client demand and a less active dealmaking environment, the largest law firms in the United States have curtailed hiring and raised billing rates, according to recent data. Wells Fargo's Legal Specialty Group analysts revealed that, despite a lower-than-average number of lawyers leaving firms through typical attrition, headcount increased by a mere 2.8% in 2023.

Headcount Slowdown in Top Firms

Wells Fargo's Legal Specialty Group survey highlighted a substantial decline in headcount growth among the surveyed firms, dropping from 6.0% in 2022 to 2.9% in 2023. The comprehensive study, covering over 130 firms, included 70 of the 100 highest-grossing U.S. firms.

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Hiring Contraction and Job Openings

A noticeable pullback in hiring was evidenced by a 6% reduction in job openings posted by law firms in 2023. Data from Leopard Solutions, a law firm hiring tracker, indicated a decline from 15,424 openings in 2022 to 14,561 in the past year. Furthermore, the 200 highest-grossing U.S. firms experienced a 19% decrease in job openings in 2023.

Industry Correction and Layoffs

Craig Savitzky, Leopard Solutions' Director of Content Creation and Data Analysis, characterized the slowdown in hiring as a market correction following the heightened activity in 2021. A record-breaking \$5.9 trillion in globally announced M&A deals occurred during that year. Over a dozen major law firms also resorted to laying off lawyers and professional staff in 2023.

Contrasting Perspectives: Legal Services Sector vs. Law Firms

While large U.S. law firms experienced a slowdown, the broader U.S. legal services sector is projected to reach a record-high employment level after adding 4,500 jobs in December, according to recent Labor Department data. Leopard Solutions focuses on large U.S. law firms and the highest-grossing ones, whereas the Labor Department provides a more comprehensive industry overview.

Uncover exclusive insights and strategic approaches through the State of the Lateral Law Firm Legal Market 2024—an in-depth report delving into the intricate patterns and current trends within the lateral law firm market.

Revenue Growth and Billing Rates

Despite the hiring slowdown, U.S. law firms closed in 2023 with an average revenue growth of 6%, supported by an extraordinary 8.3% increase in billing rates, a figure labeled unusually high by Wells Fargo. This rate hike proved instrumental in bolstering the firm's financial performance, compensating for a 2.1% drop in productivity.

Productivity and Profitability

In 2023, lawyers billed an average of 1,542 hours, 24 fewer than in 2022 and 126 fewer than in 2021, signaling a notable decline in productivity. However, law firms managed to increase profitability, with net income rising by 5.9%, benefiting equity partners who own a share of the firms.

Don't be a silent ninja! Let us know your thoughts in the comment section below.