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Hiring Booms, But Firms See Bust Ahead

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Enjoy it while it lasts.

Washington area law offices posted a nearly 4 percent increase in head count this year, **according to the 2008 Legal Times 150 survey**, which ranks the offices by number of lawyers. It's just the latest in a series of healthy growth spurts—in 2007, head count was up by 3.6 percent and associate hiring reached a record high. But as they deal with a sputtering economy, firms say the hiring spree is winding down—and next year's rosters may not be so flush.

"I think you're going to start to see [growth] flatten out, at least for the next year," says Marc Fleischaker, chairman of Arent Fox. His firm expects 15 new associates in Washington this year, compared to last year's 25.

And Arent is just one firm reflecting a much broader trend. Twenty-two of the 30 largest law offices in Washington expect to bring on fewer associates in 2008 than they did in 2007. Some predict declines of two or three lawyers, while others report much more drastic drops: Arnold & Porter, for instance, says it will bring on 50 associates in the District, one-third less than last year's 76. **Only three members of the D.C. 20**—a separate *Legal Times* ranking of the Washington area's highest-grossing firms—say they will hire more associates this year. Crowell & Moring says it will bring on 34 new Washington associates, up from 22 in 2007. Finnegan, Henderson, Farabow, Garrett & Dunner predicts 35 associate hires, or a 10-lawyer jump from last year. And Morgan, Lewis & Bockius projects a three-associate increase, to 35.

Collectively, though, the firms that provided figures for expected new associate hires say that the number will drop by more than 5 percent, or 79 lawyers, to 1,472 new associates in 2008.

A number of factors can be blamed for the gloomier forecast. As the economy has faltered, so has the workload, particularly on the transactional side. Firms say attrition is down, since many lawyers are afraid to risk a job move in a volatile market, and that reduces the need for new hires. And firms say they are hiring with caution until the depth of the economic downturn becomes clear.

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"Firms are well staffed. They're not going to stop hiring associates, but I think they perceive that they can get by with fewer associates for the foreseeable future," legal consultant Peter Zeughauser says. "So now's the time to cut back on hiring."

For some, that means scaling back lateral recruiting. Others say they are considering cutting back their 2009 summer classes: "We're in the peak recruiting season right now for summer associates, and we're watching it closely," says Bobby Burchfield, co-partner-in-charge of McDermott Will & Emery's D.C. office. "We'll probably err a bit on the conservative side."

SPUTTERING WORKLOADS

McDermott expects to bring on 21 associates this year, compared to 24 in 2007. Burchfield doesn't blame the tough economy for the difference. Instead, he says a few more of the office's would-be first-year associates are delaying their start dates to take clerkships this year.

He admits, however, that workflow has been erratic, and at this point, he says it's unclear whether client demand will stabilize. "In the last month or so, we think we're seeing a bit of an uptick, but it's been kind of up and down over the last several months." He says there has been some downturn in McDermott's corporate practice, though he says—"knock on wood"—those lawyers have appeared to be getting busier over the last month or so. And litigation—often a hedge during a downturn—is also soft at the moment because the trial group recently settled some major cases, Burchfield says.

Arent Fox is feeling similar uncertainty. "In the last couple months, it looks like the hours per lawyer are down maybe 3 percent," Fleischaker says. He says he is cautiously optimistic that expected work will be enough to keep firms on track for the remainder of 2008, though he says lawyers in Washington will almost certainly see lower revenues in 2009. "I think we're still fine. I may be a little more worried about next year."

At least in May, Arent was anticipating an upward trajectory in the coming years. That's when the firm signed on to be the lead tenant in the trophy building coming up at 1000 Connecticut Ave. N.W. The D.C.-headquartered firm, which reported 239 lawyers in this year's LT 150, will have room for 350 lawyers when it moves into the space in 2012, with options to continue expanding. But Fleischaker says a more cautious approach to hiring doesn't mean growth will stop altogether, and he isn't cutting back on summer or first-year associate hiring. "We're just being more careful in the lateral market. ... We want to make sure the people we have are fully occupied," he says.

Latham & Watkins is taking a similarly moderate approach to hiring this year. The firm projects that 50 or more associates will join the Washington office, compared to 60 or more in 2007. Peter Winik, deputy managing partner in D.C., says in 2007, certain "white-hot practice areas," including the project finance and health care regulatory groups, forced ramped up recruiting. "We just had a real gap in terms of experienced associates last year that we needed to fill through lateral hiring, and we've done that now. It's not like that's a continuing, every year need," he says.

Winik says Latham's corporate M&A and finance pipeline was also "unbelievably" full last year. Not so in 2008. "That work has continued this year," Winik says. "There's just less of it this year for our firm and for every law firm that does that."

DOWNTURN COMING

In a time when firms can predict little more than "conservative" or, at best, "steady" expansion, legal recruiters say there is one area where lateral movement remains strong.

"Clearly, there is less interest in hiring at the associate level," legal recruiter Stephen Nelson says. "However, at the partner level, there's as much demand, if not more than ever, because these are people that are going to add to the bottom line." Fellow recruiter Jeffrey Lowe seconds that account: "On the partner side, it's never been busier."

Nelson says that whenever news breaks that a firm is having problems, he immediately receives an influx of calls from other law offices interested in poaching partners who may be looking for a way off of a sinking ship. And there certainly hasn't been a shortage of tanking firms as of late. Covington & Burling is bringing on 14 partners from Heller Ehrman, which announced its dissolution last month. Three of those partners will join Covington's Washington office, while the others will be based in the firm's California offices. Thelen has also hemorrhaged top talent as it searches for a merger partner. The D.C. office of Pillsbury Winthrop Shaw Pittman has been a recent beneficiary of the tumult there, picking off two partners from Thelen's China practice, and one partner and one counsel from its construction litigation area. Pillsbury says it is engaged in ongoing talks with other Thelen partners as well.

Michael Nannes, chairman of Dickstein Shapiro, says he plans to hold associate hiring steady, but says now is a good time to look for opportunities to bring on partners. "There are people who are excellent attorneys who are at firms that aren't doing that well who are concerned about the direction their firms are going." He says

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Dickstein could gain from some of that fallout.

That might be the only silver lining. Asked if he anticipates declining head counts across District firms in the coming months, Nannes sums it up in a word: "Absolutely."

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