

Mid-sized firms lead hiring

Overview

Alex Boxsell

The partnership growth rates at mid-sized law firms continue to outstrip larger ones as they benefit from a desire by clients for cheaper fees and pursue mid-market mergers.

Only four of 38 firms surveyed by *The Australian Financial Review* increased partnerships by more than 10 per cent in the past six months. Each has fewer than 50 partners.

Brisbane firm HopgoodGanim led the pack after it merged with Q Legal and grew 18.5 per cent to 32 partners from January 2 next year. Colin Biggers & Paisley followed (up 13.5 per cent to 42 partners), then Mills Oakley and TressCox (each up 11.1 per cent to 40 partners).

Those firms also had the four fastest growing partnerships this year.

Hopgood managing partner Bruce Humphrys said the growth was due to the firm's expansion from Queensland into Western Australian through its merger with Perth-based firm Q, and also a plan to boost its litigation offering.

"It's an indication of our confidence in the WA market," he said.

CBP's growth was spurred by a merger this year with Monahan + Rowell. But managing partner Dunstan de Souza said the firm also looked to hire while other firms were struggling in a tough market.

"Next year might be a difficult year for all law firms, ours included, but it gives us an opportunity to invest," he said. "It's like buying when the market is down, if you like."

Another of the fast-growing partnerships, TressCox, also benefited from a merger — with Macrossans in October.

Across the 38 firms, partner appointments in the past six months are well down on recent years.

Only 96 new partners have been appointed since July 2, compared with 121 new partners for the corresponding period last year. The same firms together appointed 200 new partners between January 2 and July 2 this year. Most firms appoint new partners in June, although they also pick up partners from other firms or company teams through the year.

Eight firms — Arnold Bloch Leibler, Cooper Grace Ward, Davies Collison Cave, Herbert Smith Freehills, Griffith Hack, Hall & Wilcox, Henry Davis York and McCullough Robertson — appointed no partners in the past six months.

In fact six firms — Allens, Baker & McKenzie, DibbsBarker, DLA

Limited opportunities

Change in number of partners and other lawyers at 38 major firms

Firm	Partners at Jan 2013	Partners at Jul 2012	6mth change (%)	Partners appointed Jul 12 to Jan 13	Partners at Jan 2012	12mth change (%)	Fee-earners at Jan 13 (FTE) ^A	Partners as % of fee-earners (FTE) ^A
Allens	170	179	-5.0	2	182	-6.6	782	22.9
Arnold Bloch Leibler	38	38	0.0	0	35	8.6	84	45.0
Ashurst*	189	192	-1.6	2	188	0.5	676	28.4
Baker & McKenzie	86	92	-6.5	1	90	-4.4	195	47.1
Clayton Utz	206	201	2.5	6	205	0.5	677	29.7
Colin Biggers & Paisley	42	37	13.5	7	28	50.0	95	38.9
Cooper Grace Ward	23	24	-4.2	0	24	-4.2	93	25.9
Corrs Chambers Westgarth	126	125	0.8	1	126	0.0	488	25.6
Davies Collison Cave	39	39	0.0	0	36	8.3	41	95.4
DibbsBarker	45	46	-2.2	1	46	-2.2	147	31.3
DLA Piper	111	114	-2.6	1	112	-0.9	384	29.7
Gadens	138	137	0.7	8	134	3.0	499	27.4
Gilbert + Tobin	69	67	3.0	2	68	1.5	218	30.7
Griffith Hack	33	33	0.0	0	31	6.5	72	45.6
Hall & Wilcox	33	35	-5.7	0	33	0.0	97	36.1
Henry Davis York	53	54	-1.9	0	55	-3.6	168	32.1
Herbert Geer	41	43	-4.7	2	48	-14.6	96	44.7
Herbert Smith Freehills*	183	196	-6.6	0	193	-5.2	799	24.5
Holding Redlich	57	59	-3.4	1	54	5.6	125	47.2
HopgoodGanim	32	27	18.5	6	26	23.1	87	31.0
Hunt & Hunt	56	59	-5.1	4	56	0.0	125	47.2
HWL Ebsworth	145	146	-0.7	7	137	5.8	279	52.3
Kennedy Strang	70	69	1.4	1	70	0.0	159	43.4
King & Wood Mallesons*	161	158	1.9	5	184	-12.5	660	23.9
K&L Gates*	71	70	1.4	3	66	7.6	221	31.7
Lander & Rogers	55	55	0.0	1	52	5.8	165	33.3
Macpherson+Kelley	54	56	-3.6	2	55	-1.8	110	51.0
Maddocks	68	67	1.5	3	61	11.5	178	37.6
McCullough Robertson	50	50	0.0	0	48	4.2	163	30.7
Mills Oakley	40	36	11.1	4	33	21.2	122	29.5
Minter Ellison*	203	290	-30.0	3	283	-28.3	679	42.7
Moray & Agnew	68	65	4.6	3	60	13.3	176	36.9
Norton Rose	142	145	-2.1	4	147	-3.4	474	30.6
Piper Alderman	54	53	1.9	1	54	0.0	128	41.4
Sparke Helmore	58	53	9.4	7	54	7.4	242	21.9
Thomsons Lawyers	60	58	3.4	2	56	7.1	203	28.6
TressCox	40	36	11.1	5	35	14.3	115	31.3
TurksLegal	24	23	4.3	1	25	-4.0	53	43.4

Projected figures for January 2, 2013. ^AFee-earners not including partners, full-time equivalent. All other figures are headcount.

*Ashurst Jul 2012 and Jan 2013 includes Australia and some Asia lawyers; HSF merged Oct 1, Jan 2013, figures Australia only; KWM Jul 2012 and Jan 2013 Australia only; Middletons to become K&L in Australia on Jan 1; ME figures for Jan 2013 do not include NZ, Adelaide, Darwin and Gold Coast offices.

SOURCE: FINANCIAL REVIEW PARTNERSHIP SURVEY

Piper, Herbert Geer and Herbert Smith Freehills — are now smaller in partnership terms that at any point in the past five years.

Twenty-two of 38 surveyed firms

either kept their partnerships flat or reduced them; 15 went backwards. For the full year, 18 firms kept the size of their partnerships flat or reduced them.

There was also a preference to appoint partners from the ranks of rivals. Of the 96 new partners appointed since July 2, only 31 lawyers were internal candidates.

Big firms not ready for changes

Flexible work

Alex Boxsell

The overall number of law firm partners on flexible work arrangements has kept steady this year, but the initiative is far more popular at mid-sized firms than their bigger national or international rivals.

Eleven out of 38 surveyed firms have 10 per cent or more of their partners on flexible work, which includes working part-time. Only two in that group — Corrs Chambers Westgarth (11.9 per cent of partners on flexible work) and DLA Piper (10.8 per cent) — have more than 100 partners.

Flexible work has been promoted in recent months as a way of boosting workplace efficiency and helping working parents in particular.

Prime Minister Julia Gillard said last month that “teleworking” would be encouraged in the public service and help Australia embrace the Asian century. A target of 12 per cent of public servants working regularly from home by 2020 has been set.

The Law Society of NSW has also been promoting flexibility.

The 38 surveyed firms as a group had about 8 per cent of their partners on flexible arrangements in the past year. This is reflected by the fact that most firms keep about the same number of partners on flexible work arrangements when measured at six-monthly intervals.

An exception is Colin Biggers & Paisley, with a fourfold jump in partners working flexibly in six months, to nearly a fifth of its 42 partners. The mid-sized firm had just two partners working flexibly in July but will have eight in January, a shift from 4.8 per cent of the partnership to 19 per cent.

CBP managing partner Dunstan de Souza said the firm’s partners can work just three or four days a week if they need to care for children or elderly parents. The recent spike is a result of a steady uptake in part-time work after flexible work options were improved about five years ago.

CBP was followed by other mid-sized firms that encouraged flexible work. Macpherson + Kelley has the next highest proportion of partners on flexible arrangements (10 partners or 18.5 per cent), followed by Lander & Rogers (nine or 16.4 per cent), DibbsBarker (seven or 15.6 per cent) and Hall & Wilcox (five or 15.2 per cent).

Numbers dwindle as hard times bite

Fee-earners

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Uncertainty over prospects for revenue growth and broader economic instability have contributed to a decline in the number of lawyers employed by major firms since July 2.

While select redundancies have been a rarity, some firms have been managing down lawyer numbers via traditional attrition rates by not replacing people when they leave.

The total fee-earner number by headcount (not including partners) was down across the 38 firms surveyed, from 11946 at July 2 to an estimated 11208 at January 2, 2013.

That makes 738 or 6.2 per cent fewer legal jobs across the 38 firms, or nearly 20 fewer lawyers per firm.

The decline is most notable at the top of the profession. There are 11 firms with more than 100 partners in Australia and all shrank their total fee-earner numbers in the past six months.

"I think the size of major Australian law firms has really peaked," said Tony O'Malley, Australia managing partner of King & Wood Mallesons.

The biggest headcount cuts in the 100+ partner group were made by Minter Ellison (down 29.7 per cent to 714 fee-earners), Freehills (down 10.4 per cent to 944), KWM (down 10.3 per cent to 694) and Allens (down 9.4 per cent to 822).

Mr O'Malley said KWM, like other big firms, had not been replacing all the people who had left this year. Many firms have annual attrition rates of about 15 to 20 per cent, which help them avoid or minimise redundancies.

"We normally have people going in-house, going overseas, doing different things and we just haven't

replaced them," Mr O'Malley said.

The cuts at Minter and Freehills were partly explained by a different approach taken to reporting figures for January next year. Minter chose not to disclose figures for January 2 for its financially separate offices in New Zealand and Adelaide, Darwin and the Gold Coast, while Freehills only reported Australian data for January 2 following its October merger with Britain's Herbert Smith.

The falls were not restricted to the largest firms. Across the 38 surveyed firms, 23 shrank fee-earner numbers or kept them flat in the past six months. Other notable falls over the period were at Kennedy Strang (down 19.4 per cent to 173 fee-earners), Hunt & Hunt (down 11.8

The top 10 fastest growing firms in the past six months all have fewer than 200 fee-earners.

per cent to 142) and Herbert Geer (down 11.2 per cent to 103).

Just 15 of 38 major firms have grown fee-earner numbers since July 2, and only five of those by more than 5 per cent. The 10 fastest growing firms in the past six months all had fewer than 200 fee-earners for January, highlighting the dearth of new jobs at the largest employers.

TressCox (up 8.5 per cent to 127 fee-earners), DibbsBarker (up 7.9 per cent to 163) and Davies Collison Cave (up 7.3 per cent to 44) had the highest growth over six months, but TressCox's 127 was down from 132 in January this year.

Colin Biggers & Paisley grew the most over the year, up 26.3 per cent (80 fee earners to 101), after it merged with Monahan + Rowell in June, while Mills Oakley grew by 24.6 per cent (96 fee earners to 120).