

New LexisNexis Survey Reveals Legal Community Deeply Divided On Business Issues, Impact of Economic Downturn, Future of the Industry

Majority of Corporate Counsel Believe Law Firms Unresponsive to Economic Downturn; Private Practice Attorneys Say Clients Too Cost-Focused at Expense of Quality, Results

NEW YORK, December 9, 2009 – A new national survey reveals deep divisions between corporate counsel and private practice attorneys over the current state of the legal industry, the impact of the economic downturn and what the future holds for the law firm business model. The just-released State of the Legal Industry Survey was commissioned by LexisNexis, a leading global provider of content-enabled workflow solutions. It is the first of its depth and breadth to be conducted on the legal industry since the beginning of the economic crisis.



Almost three in four (71%) corporate counsel surveyed say they feel law firms are not doing enough to respond to the current financial pressures on their business model. Almost half the in-house counsel polled (46%) say they have requested rate cuts, yet less than one in five (18%) private practice attorneys say their law firms have reduced billing rates.

More than half of corporate counsel surveyed (58%) say they believe law firms are too profitable; however, more than three in four (77%) private practice attorneys believe clients are too focused on reducing costs at the expense of quality and long-term results.

“The fact that corporate counsel don’t always see eye-to-eye with their private practice colleagues on issues like the business of law and the current state of the legal industry is not unexpected,” said Andy Prozes, CEO of LexisNexis Group. “What is surprising about the results of our study is the extent of the differences between these two groups. There’s a Grand Canyon-sized divide between the opinions of corporate counsel and those of law firm attorneys on some of the most important issues facing the legal industry today.”

“If we’re going to close this gap, all of us in the legal community need to take a holistic approach to address these challenges,” Prozes continued.

In addition to deeply divided opinions among practicing attorneys, the survey also reveals that law school students are feeling the impact of the current turmoil within the legal industry. More than half of law school students surveyed (54%) say that the current state of the legal industry has made them consider career alternatives, while almost two-thirds (65%) believe law school does not teach the practical business skills needed to practice law.

Corporate Counsel: Law Firms Not Responsive Enough to Economic Downturn

With the majority of corporate counsel believing law firms are not taking enough action in response to the economic downturn, most also say that, in 2009, they shifted work in-house and reduced spending on their outside counsel. For example, according to survey respondents:

- Only 38% of corporate counsel believe law firms are being responsive on changing fees and costs given the current economic recession
- 69% of corporate counsel have shifted work in-house since the start of the economic downturn and 56% have reduced spending on outside counsel

Private Practice Attorneys: Clients Too Cost-Focused, Quality and Results Suffering

Meanwhile, a sizeable majority of private practice attorneys (77%) believe their clients are too focused on reducing costs. According to the survey, private practice attorneys say their firms have taken a number of steps in 2009 to respond to the changed economic climate, including instituting alternative fee arrangements, reducing staff and imposing hiring freezes. Of the private practice attorneys surveyed:

- 43% have conducted layoffs
- 41% say their firms have offered alternative fee arrangements
- 33% have implemented hiring freezes
- 29% have deferred start dates for new associates
- 26% have reduced employee salaries since the start of the economic downturn

Opinions Split on Future of the Legal Industry

Despite the considerable impact of the economic recession, just over half of corporate counsel (53%) and private practice attorneys (52%) believe the recession will permanently change the way business is conducted in the legal industry. Looking to 2010, opinions are divided on the future direction of the law firm business model and the billable hour. Further cuts are predicted by corporate counsel and, to a lesser extent, by private practice attorneys.

- In line with a change in the business model, 57% of corporate counsel believe the billable hour will give way to alternative billing arrangements
- More than half of corporate counsel responded that they plan to shift work in-house (57%) and reduce the amount of their total spend on outside counsel (55%) in 2010
- When asked what actions their law firm is most likely to take in 2010, the top two responses among private practice attorneys, at 18% each, were: reduce workforce/conduct layoffs and defer start dates for new hires

Law School Students Feel Unprepared, Ill-Equipped for New Economic Reality

The survey shows that a majority of current law school students feel ill-equipped for the business of law, and many are considering alternative careers as a result of the uncertain future of the legal industry. Of the 100 law school students surveyed:

- 35% of law school students responded that they do not feel adequately prepared to succeed in the changing legal marketplace
- One fifth (21%) of students say that based on the changing legal marketplace, they regret attending law school

“The survey makes for some sobering reading, but there may be an upside,” said Mike Walsh, CEO, LexisNexis U.S. Legal Markets. “The data suggests that lawyers on both sides of the table are making changes to navigate this tumultuous time, but to move ahead together as an industry it will require a great deal of communication and collaboration. Law firms that are willing to capitalize on these trends during these times and think and act differently to better meet the needs of their corporate clients could give themselves a competitive edge over their peers.”

About the LexisNexis State of the Legal Industry Survey

The national survey, the first of its depth and breadth to be conducted on the legal industry since the beginning of the economic crisis, polled a total of 550 respondents, including 300 law firm lawyers, 150 in-house corporate counsel and 100 law students. The study was fielded by custom research agency TNS. The complete findings are available online at

http://www.lexisnexis.com/document/State_of_the_Legal_Industry_Survey_Findings.pdf

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