

Salary Hikes Ensure Legal Process Outsourcing Flourishes

The Los Angeles Daily Journal announced in their March 19 issue that pay scales for first-year attorneys rose yet again, with a number of firms hitting a staggering \$160,000 starting salary. In the UK, the situation is much the same. The Lawyer.com reported that Linklaters is expected to heat up the pay war with an increase in its associate salaries of around 16 percent, to £69,000. The expected hike would push Linklaters ahead of Clifford Chance in the battle to win over top-flight graduates with lucrative starting salaries. Unsurprisingly, the remaining “magic circle” firms are currently “reviewing their salaries”.

Is it just me or does anyone else have a sense of “keeping up with the Joneses” going on here? Why do firms feel such enormous pressure to match each other in junior associate pay? The reason is because they are all trying to compete for the same pool of top talent. The competition for available talent is only going to become even more intense as 75 million baby boomers will soon give way to around 30 million generation X-ers. Although it seems incredulous right now given the preponderance of law school graduates, various studies indicate that there will be a shortage of around 14 million skilled workers in the US by 2020.

How high can the salaries rise and how long can this go on for before the tide turns? The answers lie with the leading firms’ corporate clients. Although there is no present indication that these clients aren’t willing to pay premium bills for multi-million dollar litigation matters, eyebrows are starting to be raised at first year associates’ over inflated hourly rates for routine, transaction based legal work.

The top law firms are perfectly aware of this and realize that while they will continue on the one hand to pay the ever decreasing pool of US and UK skilled talent ever increasing wages, they are also on the look out for cheaper labor elsewhere. This labor has become available through the opening up of the global legal marketplace and the increasing proliferation of offshore and outsourced legal process support companies. The major law firms on both sides of the Atlantic are now looking towards Asia, and in particular India, to provide them with the extra string to their bow that their clients are beginning to demand.

Think about this: we’re not far from the day where the top firms will be paying their newly qualified associates salaries approaching \$200,000 per annum. Do these firms and their clients really want these associates’ time spent on document review and routine transaction based tasks if this work can be done elsewhere? If the US and UK talent pool is shrinking, these associates will increasingly be spending their time on higher-end legal work both out of necessity and because their clients will simply not accept anything else. India’s vast pool of highly qualified legal talent is the obvious choice to provide the outsourced legal support the US and UK firms will require. It is this thirst for talent that has led to the development of the Offshore Legal Process Outsourcing industry. US and UK Law firms have been exploring and developing relationships with offshore legal service providers now for the last 12-24 months and this trend shows no signs of slowing down. Offshore legal process companies such as LawScribe have moved beyond traditional back office legal support services to increasingly more complex core legal work including legal research, patent and trademark searching and drafting, document drafting and due diligence.

It’s also no secret that over the last 12 months a number of the top 100 firms have sent high power delegations to India. In turn the UK Law Society recently invited a 20-strong delegation from the All India Bar Association (AIBA) to the UK in the hope that this may help speed up the process of liberalizing entry into the Indian legal market. Some UK Government sources predict a partial opening of the Indian legal services market within a couple of years. As Indian domestic regulations currently stand, Indian firms are prohibited from advertising or from having more than 20 partners. The 1961 Advocates Act, which forbids foreigners from practicing in India, will also have to be amended.

Until these changes are implemented even the largest firms will continue to explore relationships within the growing legal process outsourcing market. So long as associates’ salaries continue to rise and clients increasingly become more demanding and price sensitive, the offshore legal process outsourcing industry will continue to flourish.

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About the Author

Mark was formerly a partner at the UK law firm Underwoods Solicitors. Chambers Guide to the Legal Profession 07 refers to Underwoods as "a highly influential flagship firm and model for other firms...It has pioneered offshoring of legal work." He oversaw the firm's applications for Investor in People and Lexcel (UK Law Society Quality Standard) accreditation. He also developed a case management system for the offshoring of personal injury cases to South Africa. Immigrating to Los Angeles Mark joined LawScribe in 2006. Now he is a regular speaker at legal conferences on outsourcing and offshoring and have had numerous articles published in legal journals on subjects as varied as: death of the hourly rate, liberalization of the Indian legal sector and the ongoing salary hikes by the US and UK's top law firms. His article calling for Accreditation and Self-Regulation for the Legal Process Outsourcing Industry has been widely acclaimed and published as a white paper by the LPO Network, and the International Association of Outsourcing Professionals (IAOP). He is a professional member of the IAOP, and Chapter Chair of the IAOP Legal Outsourcing Topic Chapter.