

Overstaffed BigLaw Firms Grapple with Record-Low Attorney Productivity



In the legal landscape, the use of the term "bloated" might evoke discomfort due to its unsettling connotations. However, this metaphor aptly describes the concerning state of affairs within law firms as they grapple with an imbalance between headcount and productivity. A recent survey conducted by Wells Fargo's Legal Specialty Group shed light on this issue, revealing that the legal sector has witnessed a notable surge in headcount during the first half of 2023 while simultaneously experiencing a marked decline in productivity.

The survey, encompassing insights from 130 firms, including 66 Am Law 100 firms, highlighted a staggering 3.9 percent increase in lawyer headcount. Paradoxically, this growth in personnel has been met with a dip in demand, culminating in a stark 4.1 percent drop in productivity. The ramifications of this misalignment are considerable, as it prompts a precarious situation where law firms find themselves housing more lawyers than their workflow necessitates. For now, the response from most firms seems to be a cautious waiting game as they navigate the complexities of a demand downturn without resorting to extensive layoffs or associate deferrals.

Owen Burman, a seasoned senior consultant at Wells Fargo, underscored the gravity of the situation by pointing out that billable hours have plummeted to unprecedented depths. The survey's findings exposed an astonishingly low annualized rate of 1,538 billable hours per lawyer. This stands in stark contrast to the 2021 mid-year report, which boasted an average of 1,688 billable hours—a pinnacle that now seems like a distant memory. Moreover, this year's billables also fall short of the 1,631 average recorded in both 2019 and 2018.

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While these figures paint a rather grim picture of attorney productivity, the survey did uncover a silver lining for law firms. Revenue across participating firms experienced a notable uptick of 4.4 percent. In the face of dwindling demand, this growth can be attributed to a surge in billing rates. Notably, the report highlights a remarkable "7.7% overall" increase in billing rates, underscoring the significance of this strategy for firms seeking to offset the drop in demand with higher rates.

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For associates navigating this challenging landscape, the enhanced billing rates could offer a degree of respite. The increased revenue could potentially provide the cushion necessary for firms to weather the storm of historically low productivity. As the legal industry continues to grapple with these dynamics, firms are compelled to innovate and adapt to ensure that their resources are effectively utilized in a rapidly evolving environment.

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