

*“Jobs, Recessions, & Covid-19:
Cornell Law alumni discuss tips for
adapting to changes in the legal industry”*

IMPACT/RESPONSES TO THE 2008 RECESSION

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How did law firms respond to the 2008 recession?

Figure 1: Start dates of the Class of 2009 – Delayed Start Dates

Sept. or Oct. Only	Sept., Oct. or Nov only	Nov. only	Oct., Nov. or Jan (or later) in 2010 only	Dec. 2009 or Fall 2010 only	Jan. 2010 or later only
Cadwalder	Davis Polk	Baker Botts	Cleary Gottlieb	Latham & Watkins	Akin Gump
Covington	Debevoise	Gibson Dunn	Cravath	Shearman & Sterling	Bingham McCutchen
Kramer Levin	Simpson	O'Melveny	Dechert		Chadbourne
Morgan Lewis	Wachtell	Sidley Austin	Paul Weiss		Dewey & Le Beouf
Skadden	Willkie	Sullivan & Cromwell	Cahill Gordon		DLA Piper
Quinn Emanuel			Vinson & Elkins		Fried Frank
			White & Case		Greenberg Traurig
					Kaye Scholer
					King & Spalding
					McDermott
					Milbank
					Orrick
					Paul Hastings
					Proskauer
					Ropes & Gray
					Schulte
					Weil
					Winston & Strawn
					Wilson Sonsini

- As shown in the chart above, only six firms stuck with just September or October starts; a further five offered November as an option, and yet five more offered only November. In all, twenty-eight of the forty-four firms offered 2010 start dates, of which nineteen offered only starts in 2010.

Financial Support

Table 1: Deferral Stipends, Class of 2009

Deferrals to New Year			Longer-term Deferrals		
Stipend	Jan 2010	Mar 2010	Stipend	Fall 2010	Jan 2011
\$0	Chadbourn	Orrick	\$45K	White & Case (No community service)	
	Cleary				
	Cravath				
	Kaye Scholer				
	Greenberg T.				
	Orrick				
	Ropes & Gray				
	Shearman				
	Vinson & Elkins				
\$5K	Dewey		\$60K		Orrick Proskauer
\$10K	Akin Gump		\$65K	Shearman	
	Bingham				
	DLA Piper				
	Fried Frank				
	Milbank				
	Paul Hastings				
	Proskauer				
	Wilson Sonsini				

Financial Support (cont.)

Table 1: Deferral Stipends, Class of 2009

Deferrals to New Year			Longer-term Deferrals		
Stipend	Jan 2010	Mar 2010	Stipend	Fall 2010	Jan 2011
\$15K	Weil	Akin Gump	\$70K	Fried Frank Schulte	
\$20K	Schulte	Dechert ⁽²⁾ Proskauer	\$75K	Dechert Latham White & Case ⁽¹⁾	
Monthly	McDermott: \$5K/month Winston & Strawn: \$3.3K/month		\$80K	Cravath	

Source: Nationwide Start Date Round-Up, Above The Law, December 17, 2009.

(1) With community service. (2) More precisely, \$17.5K.

Not shown: McDermott and Winston & Strawn paid monthly stipends of \$5K and \$3.5K, respectively.

Financial Support (cont.)

- For deferrals to early 2010, firms were roughly evenly split between (1) offering no stipend (Chadbourne, Cleary, Cravath, Kaye Scholer, Greenberg T., Orrick, Ropes & Gray, Shearman, and V&E) and (2) a stipend of about \$10,000 (Akin Gump, Bingham, DLA Piper, Fried Frank, Milbank, Paul Hastings, Proskauer and Wilson Sonsini). Whereas, Weil and Akin Gump each offered \$15,000 and Schulte, Dechert and Proskauer each offered \$20,000. Finally, McDermott, Will & Emery and Winston & Strawn paid a stipend on a monthly basis.
- For the longer-term deferrals, those to fall 2010 and early 2011, stipends were a standard part of the arrangement and ranged from \$45,000 to \$80,000. The longer-term deferrals had linkages to taking positions at not-for-profits that were generally pretty loose.
- **Source:** <https://www.law.com/americanlawyer/2020/04/16/what-to-do-about-the-first-year-class-of-2020/#>

What are some lessons learnt from the 2008 recession?

- **Law firms weather downturns better than the overall economy does.** Of the past three downturns, only the global financial crisis of 2008–09 resulted in a decline in aggregate Am Law 100 revenue (See Exhibit 1), in part because of countercyclical practice areas and prices continuing to advance.
- **Regional exposure matters.** In 2008–09, market weaknesses were felt most acutely by New York, national, and international law firms. Firms headquartered in Texas and Washington experienced both revenue and profit gains, while other regional firms experienced, on average, flat revenue and a slight decline in profits (–3 percent).
- **Some law firms handle downturns much better than others do.** Grouping Am Law 100 firms into quintiles based on where they entered the 2008 financial crisis in and where they exited in 2012 shows the magnitude of the dynamics involved (See Exhibit 4). Measured by profits per equity partner, only about half of those firms stayed in the same relative position over the period.

Source: <https://www.mckinsey.com/industries/financial-services/our-insights/covid-19-implications-for-law-firms>

Other Resources:

- How law firms are currently responding to Covid-19 Re: lay-offs, salary cuts etc.:
<https://www.law.com/2020/04/08/pay-cuts-layoffs-and-more-how-law-firms-are-managing-the-pandemic/>
- How law firms are responding to Covid-19 Re: Summer Associate Class of 2020:
<https://www.law.com/americanlawyer/2020/05/08/summer-associate-programs-and-covid-19-how-law-firms-are-responding/>
- Coronavirus: How Law Firms Are Handling The Downturn:
<https://www.law360.com/articles/1264699/coronavirus-how-law-firms-are-handling-the-downturn>