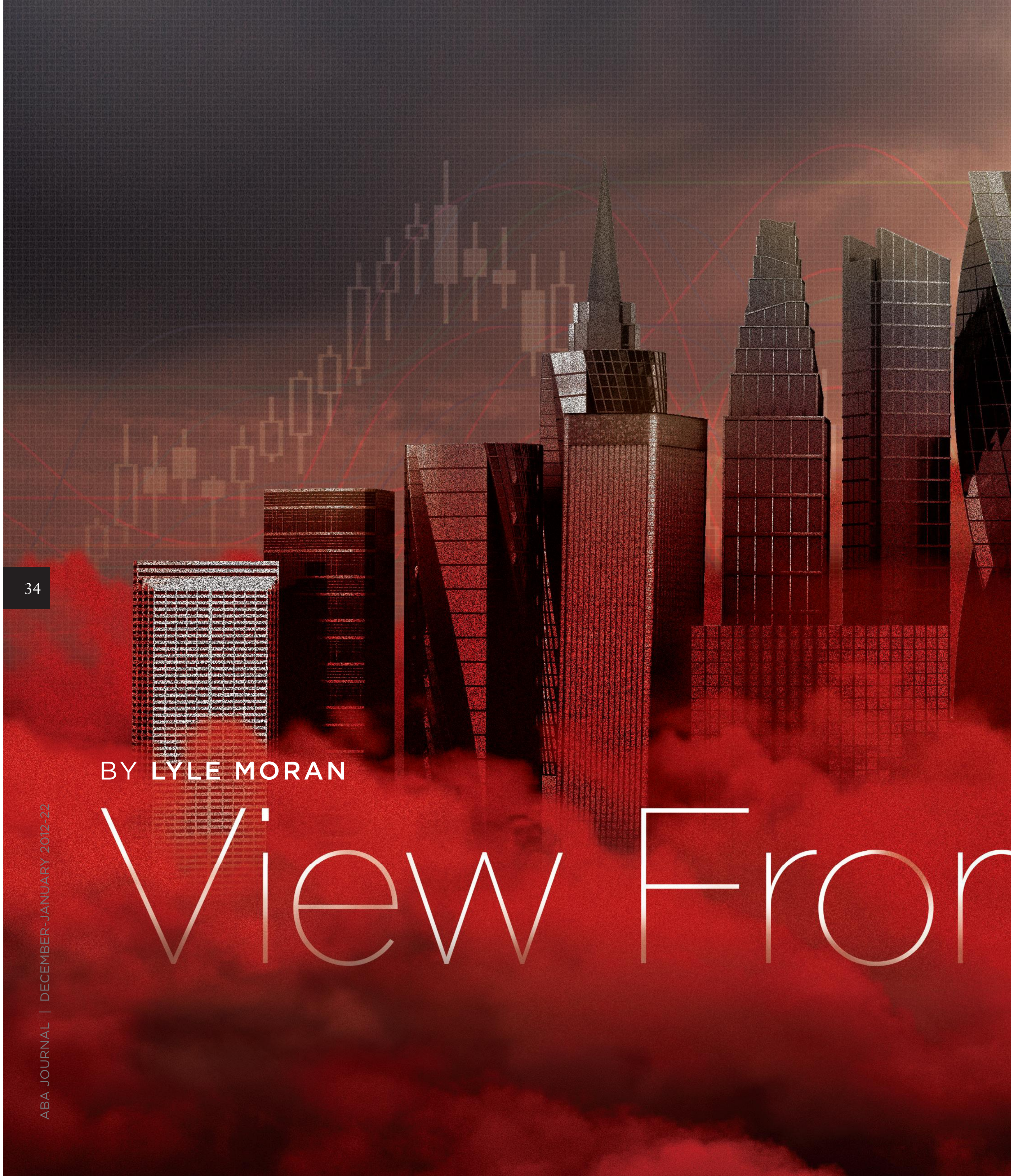

BY **LYLE MORAN**

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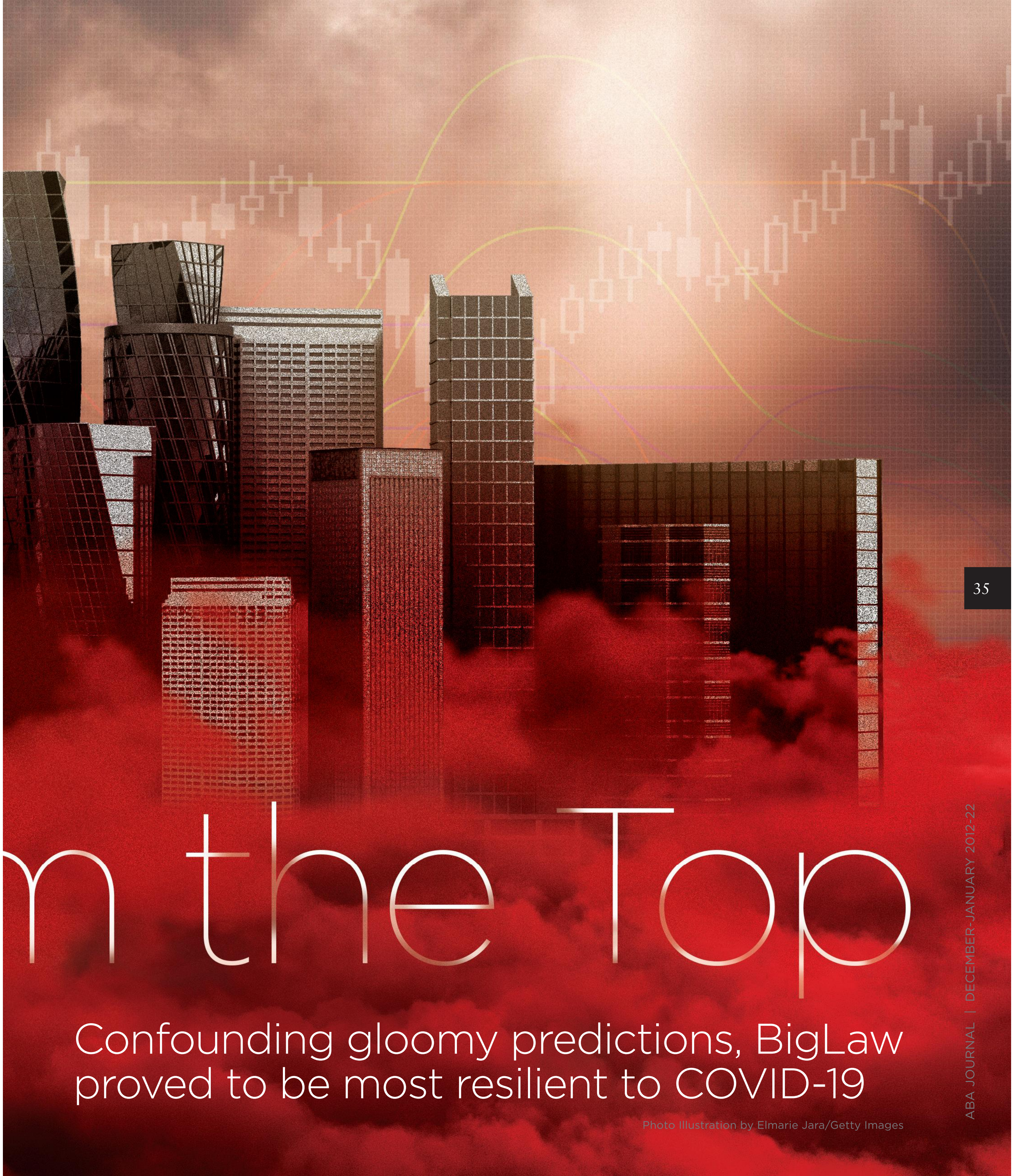

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Confounding gloomy predictions, BigLaw proved to be most resilient to COVID-19

Photo Illustration by Elmarie Jara/Getty Images

As COVID-19 started spreading across the U.S. in spring 2020, legal consultant Kent Zimmermann says he and his colleagues at Zeughauser Group fielded a steady stream of calls from worried law firm leaders.

Managing partners and firm chairs sought advice about delaying partner distributions and draws in light of the anticipated negative economic impact from the burgeoning public health crisis. Firm leaders also asked for feedback regarding plans to fully draw down their credit lines and potentially increase the size of their lines out of an abundance of caution amid government shelter-in-place orders.

"Firms at that time were facing a threat of unknown magnitude," Zimmermann says. "Some feared they were facing an existential threat."

Ultimately, in the early months of the pandemic, many law firms went ahead with belt-tightening, including salary reductions and eliminating positions. These spending cuts came as the broader American economy experienced a record period of contraction in spring 2020, which reduced demand for legal services, including in the litigation realm because of court closures.

But fears that COVID-19 would cause a prolonged financial blow to the legal industry did not come to fruition.

Instead, many firms were able to quickly and effectively transition to remote working, which left them in position to assist with an array of COVID-19-related legal issues. This also enabled them to ramp up business when the market for legal services began to bounce back a few months into the pandemic. As a result, a wide variety of firms posted revenue gains in 2020 and are poised to do so again at the end of 2021 amid the economy's continued recovery.

"I think the bottom line is that the demand for legal services at almost all levels turned out to be much stronger than we anticipated," says legal consultant Brad Hildebrandt, chairman of Hildebrandt Consulting.

But the industry's successful transition to widespread remote working has not come without drawbacks, particularly for female lawyers and attorneys of color. Those two groups have had a harder time during COVID-19 separating work and home life, and they also have experienced more stress, according to the *2021 ABA Profile of the Legal Profession*, released in July. (See "Bearing the Brunt," August-September, page 54.) The third annual report, which the ABA Media Relations and Strategic Communications Division produces, features a section highlighting the results from the ABA's survey of more than 4,200 lawyers about the pandemic's impacts.

Meanwhile, law firm and law department leaders also say remote working has made it more difficult to train newer lawyers, which is one reason they were looking forward to office returns in the aftermath of millions of Americans getting vaccinated against COVID-19. But the spread of the highly contagious delta variant scrambled many firms' 2021 return-to-office plans and has created uncertainty in some quarters about how long they can keep up their strong financial results.

BigLaw leads the way

Back at the start of the pandemic in March 2020, large firms were among those that feared what lay ahead. However, it turns out they had the least to worry about because they have, as a whole, performed exceptionally well during the public health crisis.

For instance, in the 2021 Am Law rankings, which ranks firms by gross revenue, 74 of the top 100 firms reported increases in 2020, and 42 achieved gross revenue of $1 billion or more, according to the *American Lawyer*. Overall, the Am Law 100 firms saw gross revenue rise an average of 6.6% in 2020, with 21 firms in that category achieving revenue gains of 10% or more.

The firms' financial success boosted lawyer compensation ever higher. *The American Lawyer* found the average equity partner at the top 100 firms raked in $2.23 million in profits in 2020, a 13.4% bump from the year before. By comparison, the average lawyer's salary in 2020 rose 2.5% to $148,910. That figure from the U.S. Bureau of Labor Statistics does not include profits for partners and shareholders, but it does factor in the salaries paid to associates, who at many large firms receive starting pay of at least $190,000.

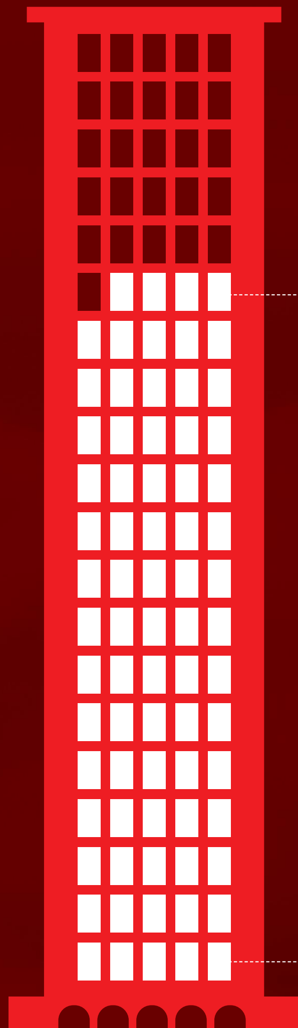
Firms have also aggressively cut expenses, with Thomson Reuters reporting that spending on offices, marketing, business development and recruiting were the hardest hit in 2020. Overall, overhead expenses were down by 5.8% at the end of 2020, the company reported, which contributed to law firm profitability.

Meanwhile, the torrid pace of business for large firms at the end of 2020 has continued in 2021, as evidenced by Thomson Reuters' law firm market performance index reaching an all-time high in the second quarter. The Peer Monitor Index measures drivers of law firm profitability, including rates, demand, productivity and expenses.

According to Thomson Reuters' third-quarter report released in early November, demand for legal services, productivity and rates continued to increase compared to the same time in 2020. However, the report cautioned that ballooning associate salaries are keeping law firm expenses high, cutting into profitability. The report found that direct expenses for the third quarter for 2021 had increased 7.2% year-over-year.

Greenberg Traurig, which was founded in Miami and now has 40 offices across the globe, is one example of a

The Am Law 100 firms saw gross revenue rise an average of 6.6% in 2020



74
of Am Law 100 firms reported **increased** gross revenue in 2020

Source: *The American Lawyer*

AM LAW 100 FIRMS
Equity Partner

$2.23m
average **profits** in 2020
↗ 13.4% from 2019

AVERAGE SALARY
Lawyer

$148,910
↗ 2.5% from 2019

Source: U.S. Bureau of Labor Statistics

BIGLAW FIRM
Greenberg Traurig

$1.73b
in **revenue** in 2020
↗ 5.5% from 2019

Firms also aggressively cut expenses on	offices	marketing	business development	recruiting

Source: Thomson Reuters

Photo and illustrations by Getty Images

BigLaw firm that has reported substantial gains during the pandemic. The firm disclosed revenue for 2020 of $1.73 billion, which was roughly a 5.5% increase from the prior year and its seventh straight year of revenue growth. Greenberg Traurig currently sits at No. 16 in the Am Law rankings, and co-president Ernest Greer says the firm is poised to report another record year of revenue at the end of 2021.

He attributes the strong performance to many of the full-service firm's practice areas staying very busy assisting clients with issues related to COVID-19, including compliance with multiple levels of government mandates. Greer adds that the firm's employment, federal lobbying and data privacy practices have been particularly active on pandemic-related matters. He also points out that many large firms don't possess state and local government practices, but Greenberg Traurig has lawyers working on those issues in eight states. These include the population centers of California, New York and Florida.

> "Firms at that time were facing a threat of unknown magnitude. Some feared they were facing an existential threat."
> —Kent Zimmermann

"When you talk about a global pandemic and you talk about a national pandemic, what you realize is that boots on the ground are so important to the day-to-day issues that our clients were and are facing," Greer says.

Large law firms also have benefited financially by continuing to raise rates during COVID-19. Early in the pandemic, senior-level lawyers took on more work, which created an increased financial value of the total hours worked, according to a Citi Private Bank report for clients ahead of 2021.

One firm at which that happened was Norton Rose Fulbright. According to Gina Shishima, its chief strategy and operations partner in the U.S., clients were seeking experienced attorneys from her firm, which sits at No. 13 in the Am Law rankings, to opine on questions raised by a variety of unique issues raised by COVID-19.

By the fourth quarter of 2020, worked rates were 5.3% higher at the average U.S.-based law firm than they were the previous year, according to the Peer Monitor Index. And through the first six months of 2021, lawyer rate growth was 7% at Am Law 100 firms, according to a survey from the Wells Fargo Legal Specialty Group released in late August.

Smaller gains for the second hundred

Although firms in the Am Law Second Hundred have not seen the same level of financial growth as those in top 100, many have performed solidly during the pandemic. In 2020, firms in that category posted an average gross revenue gain of 1.1%, according to the *American Lawyer*. Additionally, revenue from the Am Law Second Hundred grew by 9% in the first half of 2021, according to the Wells Fargo survey.

Thompson Hine, which is based in Cleveland and has eight U.S. offices, is one of the top 200 firms that saw its revenue increase in 2020, and it performed even better in 2021. The firm's managing partner, Deborah Read, says a very strong start to 2020 and a robust close to the year helped the firm, sitting at No. 134 in the Am Law rankings, bring in gross revenue of nearly $238 million, a 1.3% increase from its record haul in 2019.

Corporate transactional work, labor and employment and real estate have been especially busy practice areas during the pandemic, according to Read. She says business litigation also has picked up in 2021, which has contributed to the firm's disclosed revenue being up 7% through September compared with the same time period a year prior. Thompson Hine also has continued to implement innovative ways of delivering legal services during the pandemic, according to Read, including using a third-party machine learning tool for contract review, due diligence and lease abstracting. For example, the firm successfully deployed the tool to help it analyze upwards of 200 contracts in a six-day period and on a tight cost budget it could not exceed.

"These are the types of things that clients very much value, particularly in this environment," Read says.

FisherBroyles, a distributed firm with attorneys working remotely across the globe, also has reported financial success during the pandemic. The firm disclosed $105 million in total fee revenue for 2020, a 14% increase from the year prior. This performance landed it in the 198th spot in the Am Law rankings, which resulted in FisherBroyles becoming the first cloud-based firm to crack the list. Firm leaders say the positive momentum has continued into 2021, with the firm on track to exceed its revenue growth of a year ago driven by increased partner performance and partner headcount.

Kevin Broyles, the firm's co-founder and managing partner, says FisherBroyles' nearly two decades of experience with attorneys working remotely has enabled it to keep business moving full speed ahead during the pandemic and entice BigLaw lawyers to come aboard. "Because of the credibility that our model had within the COVID environment, it made it easier for us to attract candidates than ever before," Broyles says.

Some midsize firms not in the Am Law 200 rankings have also experienced success during COVID-19, including Much Shelist, a Chicago-based firm with a California office. Managing Partner Mitchell Roth says after a few tough months at the start of the pandemic, business has been "busier than it's ever been." He estimates revenue was up 10% to 20% as of the end of the summer.

The firm's M&A practice has been particularly active, which Roth attributes in part to low interest rates and private equity firms being flush with cash. (See

The Am Law Second Hundred saw gross revenue gain of 1.1% in 2020

Source: *The American Lawyer*

AM LAW 200
FisherBroyles

$105m
in **revenue** in 2020
↗ 14% from 2019

First cloud-based firm
in Am Law 200

AM LAW 200
Thompson Hine

$238m
in **revenue** in 2020
↗ 1.3% from 2019

Photo and illustrations by Getty Images

"Red-hot," page 22.) He notes that the possibility of Congress adopting the Biden administration's proposals to raise the capital gains and corporate tax rates has spurred corporate deal-making as well. "There are a lot of sellers racing to the end of the year, hoping to take advantage of the lower tax rates with the possibility that they would be higher on Jan. 1," Roth says.

Solo and small firms persevere

When it comes to solo and small firms, there is typically far less data available regarding financial performance. But the information that has been produced to date indicates they were especially hard hit early on in the pandemic.

From April through June 2020, solos saw their revenue drop between 5% and 7% more than firms with more lawyers, according to Clio's *Legal Trends for Solo Law Firms* report released in February. The report, which is based on data aggregated and anonymized from tens of thousands of Clio users, noted that new criminal casework, a common practice area for solo practitioners, dropped by 59% in spring 2020.

James Cotterman, a law firm consultant with Altman Weil, says he also has seen small firms struggle more than larger competitors, particularly firms focused on consumer-oriented law.

"The pivot to remote work was more challenging with less robust tech support and clients less likely to engage or pay timely," Cotterman says.

Stephen Curley, a Connecticut-based solo practitioner who focuses on commercial litigation, says he and other solos he knows experienced a drop-off in work the first few months of the pandemic. But Curley, the chair of the ABA's Solo, Small Firm and General Practice Division, says by late summer and early fall 2020, work began to pick up again as courts became comfortable conducting business remotely and lawyers became more adept at using different types of technology.

For example, by early October 2021, Curley had participated in five remote trials. Courtrooms continuing to permit remote appearances also has let him increase his workload. "Now I can take a wider range of cases that are going to be argument-intensive simply because I can be in more than one place in a relatively short amount of time," he says.

Besides taking on new business, Curley says switching to a virtual office has dramatically reduced his expenses and eliminated a commute on a busy stretch of highway that would take at least 90 minutes round trip. "It's freed up a lot of time during the course of an average day, and in turn, that frees me up to take on more business," he says.

Clio's report found solo practitioners are far less likely than firms with more than one lawyer to have commercial office space, with only 58% doing so. Additionally, 9% of solos reported that they stopped operating out of a commercial space from the start of the pandemic through August 2020, and another 9% were unsure whether they would maintain their office space once the impact from COVID-19 subsides.

In a subsequent report released in October 2021, Clio found that nearly two-thirds of respondents from law firms said office space was the least likely thing they would invest new resources in. Instead, respondents said they were more likely to invest in practice management software and hardware.

Solos also worked fewer hours and were more likely to take time off during the pandemic than other attorneys, according to the *2021 ABA Profile of the Legal Profession*. For example, just 34% of solos reported they worked more than 40 hours a week, compared with 68% of lawyers in firms with 250 or more attorneys and 60% of lawyers in small firms with two to nine lawyers. Solo practitioners also reported they were better able than other lawyers to keep home and work lives separate.

Remote work poses some challenges

Overall, 54% of lawyers said they worked from home close to 100% of the time during the early stages of the pandemic, according to a survey of more than 4,200 ABA members

From April through June 2020, solos saw their revenue drop between 5% and 7% more than firms with more lawyers

Source: Clio's *Legal Trends for Solo Law Firms*

58%
solo practitioners have commercial office space

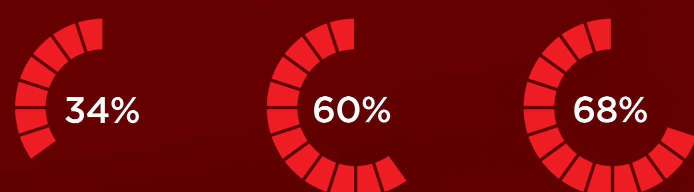
9%
solo practitioners stopped operating out of a commercial space

9%
solo practitioners are unsure about keeping commercial office space post-pandemic

Solos worked fewer hours and were more likely to take time off during the pandemic than other attorneys

Lawyers who worked more than 40 hours a week

Source: *2021 ABA Profile of the Legal Profession*



solo practioners

lawyers in firms with 2 to 9 lawyers

lawyers in firms with 250 or more attorneys

referenced in the *2021 ABA Profile of the Legal Profession*. The survey was conducted by the ABA Coordinating Group on Practice Forward between Sept. 30 and Oct. 11, 2020.

Although the ability to work remotely provided attorneys with many benefits and contributed to the legal industry's financial success, the ABA survey results indicate widespread working from home also posed challenges, particularly for female lawyers and attorneys of color. For example, 63% of female lawyers and 62% of lawyers of color reported feeling it was hard to keep home and work separate, compared with 51% of attorneys overall and 44% of men, according to the ABA report. Also, 52% of female lawyers and 48% of lawyers of color reported feeling work stress during the pandemic, while 40% of all attorneys said they felt stress about work. The ABA report also notes that female lawyers were nearly three times as likely than men to take on additional child care responsibilities during the pandemic (14% versus 5%).

These reported disparities come as women and people of color make up a smaller share of the legal profession than other demographic groups. Female lawyers represented 37% of attorneys in the profession in 2021, while attorneys of color represented nearly 15% of the profession, according to the ABA report.

Meanwhile, lawyers of color are at least twice as likely to leave U.S. law firms during a typical year as white lawyers are, and women are slightly more likely to leave law firms than male lawyers, according to the *2020 ABA Model Diversity Survey*, which was released by the ABA Commission on Racial and Ethnic Diversity in the Profession in February.

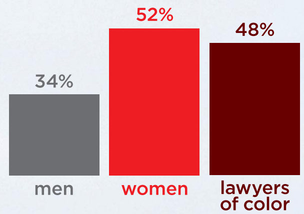
Caretaking commitments are the No. 1 reason (60%) why experienced female lawyers leave their law firms, followed by stress at work (55%), according to a study titled *Walking Out the Door* published in November 2019 by the ABA and ALM Intelligence.

Susan Hackett, CEO of the law practice management consultancy Legal Executive Leadership, notes that schools and day care centers were

Photo and illustrations by Getty Images

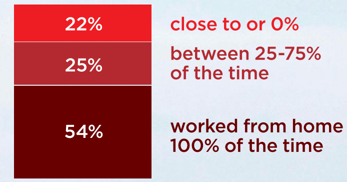
Lawyers feeling work stress during the pandemic

Source: *2021 ABA Profile of the Legal Profession*



Lawyers who said they worked form home during the early stages of the pandemic

Source: *2021 ABA Profile of the Legal Profession*



closed in wide swaths of the country throughout much of the pandemic. In-home caregivers were also not as readily available. She says this resulted in many lawyers attempting to work from home while also needing to help their children participate in remote learning and look after other family members.

"The kinds of supports they might have normally weren't present, and they were not only expected to do their regular workload, but in many cases, people's workloads seemed to expand because the working day became 24/7," Hackett says. "It made what were already often-unhealthy work environments—in terms of expectations, in terms of output, in terms of stress—even more unhealthy."

A number of law firm leaders express a desire to continue to permit flexible work arrangements for their lawyers and some staff positions. However, some worry about the negative consequences of long-term remote working, particularly as the raging of the delta variant of COVID-19 over the summer forced firms to delay reopening plans.

Shishima of Norton Rose notes that as of the summer, lawyers were "running a little on fumes" due to the lack of stimulating in-person interaction for an extended period. She expresses hope that in-person collaboration and relationship building will be possible again sooner rather than later.

"We get a lot of energy and motivation from each other, and it helps when we get to see each other in person," Shishima says.

> "This pandemic shows you how stable the legal profession is and will continue to be."
> —Brad Hildebrandt

Some also raise the challenge of training and mentoring younger lawyers amid widespread remote working. Greer of Greenberg Traurig says "Zoom relationships" are not the same as close relationships developed through in-person interaction.

Will strong financial performance last?

The impact of long-term remote working is not the only topic that poses a potential roadblock to the legal industry's continued financial success. Some law firm leaders and consultants express fear about what COVID-19's ongoing presence in the country and world will mean for the economy in the months ahead.

"I do worry that the longer that this goes on, the more uncertainty it creates in the corporate business world and potentially, then, the more uncertainty it could create for us," says Read of Thompson Hine. "So I'm looking forward to reaching a time when COVID appears to be completely manageable."

Hackett also foresees in-house counsel more closely scrutinizing proposed rate increases than they did during the initial months of the pandemic when they had many other items on their plates. She says in-house leaders have taken notice of firms posting record profit margins, boosting lawyers' starting salaries and paying out sizable bonuses.

"That's pretty clearly sunk in on the in-house side, and you won't see as much benevolence of, 'We're all just trying to get through this, so we'll talk about it later,'" Hackett says. "I think later has come to call."

And as more lawyers eventually return to their offices and business travel picks up, some of the expenses firms have been able to drastically reduce during the pandemic will start to increase again. Technology spending is also likely to continue to rise. Shishima predicts tech expenditures will replace real estate as the second-biggest expense for firms in the not-too-distant future. At the same time, firm leaders and consultants expect real estate expenses will keep dropping amid firms' embrace of working from home, a development that also lessens the need for firms to maintain as many administrative staff positions.

Overall, most legal industry observers expect high-performing large firms in particular to continue to thrive because they have already proved they can do so amid challenging circumstances.

"This pandemic shows you how stable the legal profession is and will continue to be," legal consultant Hildebrandt says.

Indeed, Zimmermann says the calls he was getting by late summer from firm leaders were much more positive in tone than those at the start of the public health crisis. Most managing partners and chairs, from small to large firms, were seeking advice about how to accelerate their growth and ensure long-term success.

"I think they are confident that they are going to continue to do well despite the fact the health crisis is not a straight line and is dynamic, and conditions are changing," Zimmermann says. ■

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