

What Drives Turnover and Layoff at Large Law Firms?

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Big Law Firms Face Big Challenges

- Short-term financial shock
- Push to internationalize
- Demographic shifts challenging organizational structures
- Experiments with new business models
- *What are the short-term and long-term implications for hiring and retention?*

Student Response to Challenges



Simple (Descriptive) Empirical Analysis

- Who leaves BigLaw firms?
- Who do BigLaw firms lay off?
- What can we learn about the labor market for lawyers from this?

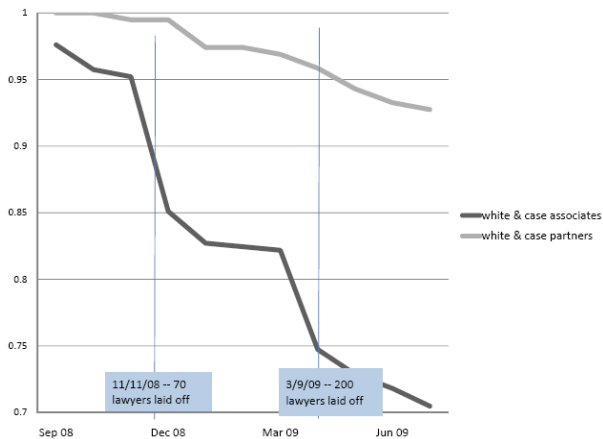
Datasets of BigLaw Lawyers

- Lawyer web sites
 - Scraped from 285 of 300 largest firms' sites, July 2008
 - Return to each site monthly for one year to see if lawyer still listed at firm
- lawshucks.com Layoff Tracker
 - Firm, # lawyers, and, sometime, other details for "BigLaw" layoffs
 - We focus on U.S. layoffs at the 285 firms in our sample
 - Total of 148 layoffs at 100 firms affecting 3,954 lawyers (some are international and not in our data.)
 - Layoffs vary from two to 200 lawyers
- vault.com and *US News* rankings measure firm and school prestige

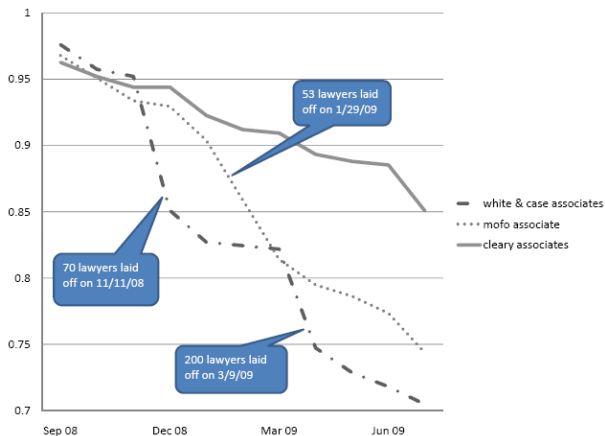
Imperfect but Informative Layoff Measure

- We define a person as laid off if:
 - Layoff Tracker reports a layoff at his/her firm in month t , and
 - If Layoff Tracker identifies the affected office(s), he/she works in that office, and
 - He/she was on the firm's website in month $t - 1$, and
 - He/she was not on firm's website in month $t + 2$.
- We identify 3,103 laid off lawyers, so scale matches Layoff Tracker.

Measuring Layoffs at White and Case



Measuring Layoffs – Associates



Location of Layoffs

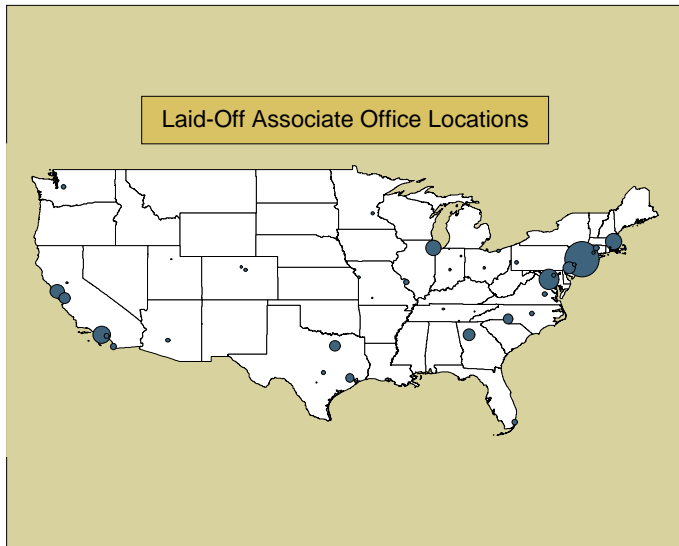
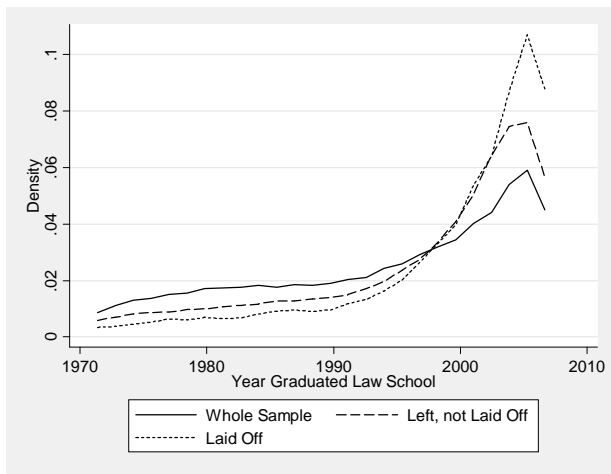


Table 1, Panel A: All Lawyers

	All	Left (not Laid Off)	Laid Off
Female	0.306	0.368	0.377
Law School Graduation	1992.9 (12.10)	1996.0 (11.39)	1998.9 (9.62)
Partners	0.457	0.275	0.157
Securities/Banking	0.252	0.217	0.295
Litigator	0.437	0.418	0.330
Vault-Ranked Firm	0.542	0.551	0.792
Top 10 Law School	0.264	0.262	0.277
N	104,639	14,786	3,117

Kernel Density by Attrition Status

All Lawyers



Non-Layoff Associate Attrition is Higher for:

- More recent graduates
- Top 10 law school graduates (about 1/6th higher) and especially recent Top 10 graduates
- Associates with no school-based ties to partners in the office
- Lawyers from smaller cohorts within the firm
- Women
- NO differences by specialty

Associates More Likely to be Laid Off:

- More recent graduates
- Recent Top 10 graduates
- Those who work at a firm with many Securities Lawyers
- Those who are NOT labor, IP, or Bankruptcy lawyers

What Does This Tell Us About the BigLaw Labor Market?

- Seniority Effects \implies Firm or BigLaw Specific Human Capital
- No evidence that constant hierarchy is a key consideration
- Specialties more important cross-firm than within-firm
- School-based Social Networks related to retention, not layoffs
- Grad of top schools are in more fluid labor markets
- No evidence that lower-ranked grads are “riskier”

Law School Quality Findings

- New graduates of all schools likely to leave and/or be laid off
- Grads of top schools (and especially new grads) much more likely to leave
- New grads of top schools more likely to be laid off, but not top school grads with 3+ years experience
- Motivates an (in progress) economic model of “Structured Hiring”
 - Firms in “up-or-out” organizations must choose how to expend scarce recruiting resources
 - Top schools: thicker markets of top talent and more hiring competition.
 - Higher skill workers have greater alternative labor market options
 - Firms trade off these factors and strategically choose where to invest
 - Leads to school-based networks, higher turnover for top school grads, and higher wages (even conditioning on ability) for top school grads