

# THE CHANGING LEGAL EMPLOYMENT MARKET FOR NEW LAW SCHOOL GRADUATES

by James G. Leipold

*Author's Note: This article is based in part upon data collected for, and reported in, Jobs and J.D.'s, the annual report of the National Association for Law Placement (NALP) on employment and salaries of new law school graduates, as well as on other NALP research on law student recruitment, the 2010 Associate Salary Survey, and the 2010 Public Sector and Public Interest Attorney Salary Report. Free summary findings of all NALP research are available on the NALP website, and all NALP publications and research reports may be purchased at [www.NALP.org](http://www.NALP.org). NALP's Director of Research, Judy Collins, and other NALP staff members contributed to this article.*

Phrases like “sea change” and “fundamental reordering” are not inappropriate for launching a discussion of how the entry-level legal employment market has changed for law school graduates since the onset of the “Great Recession” that began at the very end of 2007. In ways that have been well documented in the legal and popular press, this recession has had a direct impact on law firms that is different from the impact of prior recessions. During the third quarter of 2008, when Lehman Brothers and other venerable investment banks shut their doors, much of the transactional work that had fueled law firm growth since the dot-com bubble burst in March of 2000 simply evaporated. As a direct result of these events, as well as others, members of the law school graduating classes of 2009 and 2010 have faced the worst entry-level legal employment market in 50 years, and perhaps ever, and the market for the classes of 2011 and those that will follow is likely forever changed.

The market is forever changed because the large law firm business model is undergoing a period of structural change. Many of the antecedent trends driving this change were in play before the recession but have been accelerated by the dramatic economic forces of the last two years. Addressing those changes in depth is beyond the scope of this article, but certainly one of the primary drivers is the flip in the balance of power between law firms and their corporate clients that occurred during the recession, and another factor is the growing commoditization of legal services being driven both by technology and by global competition in the delivery of legal services.

Large law firms are not, of course, the only or even the most significant employers of new law school graduates, but because (for better or for worse) so much entry-level hiring has evolved into a race for talent based on law school GPA and law school reputation—with large law firms (along with federal judges) getting the earliest picks—a reordering of that market necessarily has a continu-

ing impact throughout the rest of entry-level legal recruiting. In addition, all of the major employment sectors for new law school graduates were severely compromised during the recession, including government hiring, judicial clerkship hiring, public interest hiring, and hiring by small- and medium-sized law firms. And, of course, given the national employment market generally, the nonlegal job market for law school graduates was also severely compromised. Only the category of academic jobs grew during the recession, and that was because law schools were increasingly hiring their own graduates through a variety of job relief programs (in fact, 42% of all law schools reported creating jobs for their graduates as a direct result of the recession—see more on this below).

## THE CLASS OF 2009

NALP, along with the American Bar Association, measures legal employment as an outcome of law school nine months after graduation to allow time for bar examinations and licensing, and so the most recent class for which we have complete data is the class of 2009. This is also the first class that was directly affected by the recession, since many members of the class of 2008 had secured offers for employment before the worst of the economic downturn occurred.

### **A Decreasing Employment Rate**

Not surprisingly, the overall employment rate for the class of 2009 nine months after graduation was lower than it was for the classes that immediately preceded it. Analyses of data collected through NALP's Employment Report and Salary Survey for the class of 2009 document an overall employment rate of 88.3% of graduates for whom employment status was known—a rate that has now decreased

two years in a row, declining 3.6 percentage points from the recent historical high of 91.9% for the class of 2007. The employment figure for the class of 2009 also marks the lowest employment rate since the mid-1990s. Given the severity of the recession, an overall employment rate of 88.3% may seem stronger than expected, but when the statistic is teased apart, it begins to reveal some of the fundamental weaknesses in the job market faced by this class.

### **A Closer Look at What Lies Behind the Employment Rate**

#### *Start Date Deferrals and Temporary Employment*

To start with, between 3,200 and 3,700 graduates with jobs in law firms had their start dates deferred beyond December 1, 2009, with many deferred well into 2010. In addition, a far higher percentage of this class reported employment that was temporary, with 41% of all public interest jobs, 30% of all business jobs, and even 8% of private practice jobs being reported as temporary. Overall, nearly 25% of all jobs were reported as temporary, a figure that includes judicial clerkships.

#### *Part-Time Work*

Members of the class of 2009 were also working more often in part-time jobs than their predecessors, with 56% of academic jobs, 20% of business jobs, and more than 10% of all jobs reported by the class of 2009 being part-time—up from 6% for the previous class.

#### *Employed But Looking for Work*

Another marker of the weakness of the job market is that a much higher percentage of this class reported that even though they were employed, they were still looking for work (almost 22% of the class of 2009 compared to 16% of the previous class), suggesting

that graduates took jobs they may not have been satisfied with simply to be able to earn money to offset living expenses and student debt.

### *An Increase in Solo Practitioners*

Yet another marker bearing analysis is that a measurably smaller percentage of graduates from the class of 2009 were working as practicing lawyers than their predecessors, with 70.8% reporting that they held jobs for which a J.D. was required, compared with 74.7% of the class of 2008. Of those who did report jobs in private practice, a far greater number reported that they were working as solo practitioners than in the previous year. For the class of 2009, the number of solo practitioners reported was well over 1,000 and represented more than 5% of law firm jobs reported, compared with 3.3% for the class of 2008. In raw numbers, there were about 375 more solo practitioners reported for the class of 2009 than for the class of 2008, a jump that in itself accounts for nearly a full percentage point of the employment rate. Solo practitioners represented about 2.9% of all jobs reported for the class of 2009, compared with 1.9% for the previous class. This jump in the number of law school graduates reporting that they were working as solo practitioners is consistent with data that was reported during the recession of the early 1990s. The employment data collected by NALP do not answer the question of why graduates take particular jobs, but the presumption in this case is that during a recession when jobs are scarce, a higher percentage of graduates work as solo practitioners because they are unable to secure jobs elsewhere.

### *A Rise in Academic Jobs Provided by Law Schools*

As noted above, law schools were very active in trying to mitigate the impact of the recession on their graduates, with 42% of law schools reporting that they provided on-campus postgraduate jobs for their

students. This helps account for the fact that 3.5% of the jobs reported by the class of 2009 were categorized as academic, compared to 2.3% for the class of 2008. Overall, 69% of academic jobs reported by the class of 2009 were reported as temporary.

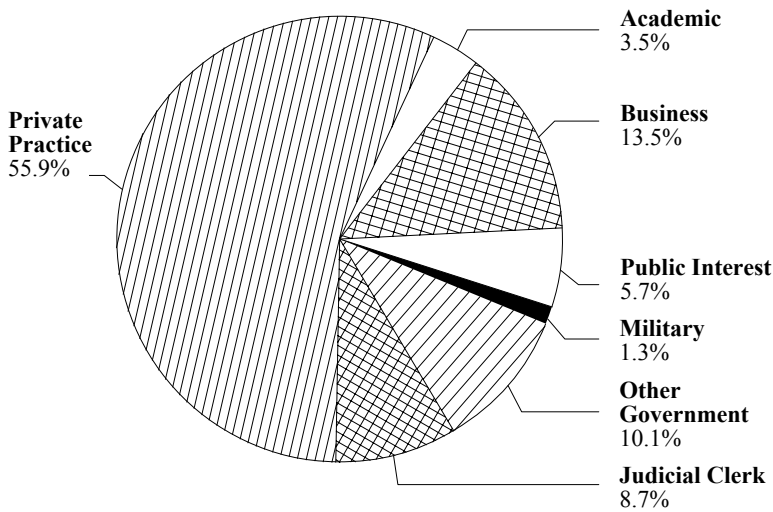
Law schools created a variety of employment opportunities for their graduates, and not all of them were on campus or could be counted in the academic category. Through a variety of bridge programs, fellowships, and grant programs for public interest work, in addition to true on-campus jobs, many schools have “jobs programs” of some sort for new graduates, and many of them predate the recession. For the class of 2009, it is estimated that these programs provided over 800 jobs, accounting for a full 2 percentage points in the employment rate. At the high end, these jobs programs can account for up to 50 jobs on a single campus.

### **Distribution of Jobs**

Despite the overall softening of the market, the kinds of jobs taken by law school graduates did not change that much for the class of 2009 (see Figure 1). As in all prior years for which NALP has collected job information for new graduates, the most common employment setting for members of the class of 2009 was that of private practice at law firms, reported by 55.9% of the members of the class of 2009 who provided employment information. This figure has fluctuated only between 55% and 58% since 1993.

Over one-quarter (25.8%) of class of 2009 graduates who reported being employed on February 15, 2010, were working in public service positions, including government jobs (10.1%), the military (1.3%), judicial clerkships (8.7%), and public interest positions (5.7%). This percentage has also remained relatively stable for almost three decades.

Number of Jobs = 36,046



**Figure 1:** Employer Types, Class of 2009 (as of February 15, 2010)

*Note:* Figures in this chart reflect all job types—both legal and other. For clarity, the category for unknown employer type, representing 1.44% of jobs, is not shown.

Employment in business was 13.5%, essentially unchanged from 2008, and still within the 13–14% range reported for the last six years.

At 3.5%, the percentage of jobs in academia was the highest ever recorded by NALP, with the number of jobs up by over 400 compared with the previous year. As noted above, however, information reported on these jobs suggests that much of the increase may be accounted for by schools' efforts to provide postgraduate job opportunities in a tight job market.

## THE CLASS OF 2010 AND BEYOND

It is important to note that members of the class of 2009 who obtained jobs with large law firms would have received offers for summer employment in

August or September 2007, participated in summer programs in 2008, and then received offers for post-graduate employment in August or September of 2008, before the worst of the recessionary collapses that occurred later that fall. For this reason, the most dramatic impact of the recession on entry-level legal employment may well be measured in the class of 2010. (This would also be consistent with the data from the last major recession to have an impact on the legal employment market. Nationally, the worst of the recession of the early nineties came in 1991, and yet the low-water mark for entry-level legal employment came with the class of 1993, with an overall employment rate nine months after graduation of just 83.4%.)

Because we do not yet have nine-month employment figures for the class of 2010, in order to assess the impact of the recession on this class we must turn to NALP research on recruiting volumes. Members of the class of 2010 would have gone through any on-campus interviewing (OCI) programs in August and September of 2008, at the height of the recession, and those who worked as summer associates for law firms would have done so following their second year of law school in 2009. These students graduated in May of 2010, took their bar exams in July of this year, and, with some luck, began working in September or October. We will measure their employment status as of February 15, 2011. Members of the class of 2011 participated in their OCI programs during the late summer of 2009, and, remarkably enough, members of the class of 2012 have now

also completed their OCI programs, competing for summer positions they will hold during 2011.

### **Summer Program Recruitment Levels and Outcomes**

When we look at the data on recruiting volumes, again we find that, not surprisingly, all of the markers that measure the strength of the legal employment market for new lawyers, such as law firm recruiting levels for summer programs and summer program outcomes, fell in both 2008 and 2009. The drop-off in the numbers in the second year of the recession was steeper than the decrease in volume seen during the first year of the recession. Based on the most recent information provided by NALP members about fall 2009 recruiting, the market for entry-level legal employment shrank dramatically, especially for second-year students (2Ls) seeking positions for summer 2010. (Data on the 2010 recruitment season, which has just ended, will be gathered at the end of this year and published at the beginning of 2011.)

### **Fall Recruiting, Start Date Deferrals, and Offer Acceptance Rate**

The most dramatic impacts of the current economic situation on legal employment opportunities were on the numbers that describe fall recruiting of 2Ls for summer 2010 positions, and on the extent to which start dates for class of 2009 graduates were deferred. Across employers of all sizes, the median number of

offers extended for summer 2010 positions dropped dramatically to only 7 in 2009 following a previous drop from 15 in 2007 to 10 in 2008. At the largest firms—those with more than 700 lawyers firm-wide—the median number of offers dropped from 30 in 2007 to 18.5 in 2008, and to just 8 in 2009. Similarly, the percentage of callback interviews resulting in offers for summer spots fell precipitously to 36.4% in 2009, after falling to 46.6% in 2008 from a figure that had hovered at or above 60% for the three previous years. Not surprisingly, the offer acceptance rate also jumped. At 42.8%, it is the highest rate NALP has ever recorded. Also not surprisingly, deferrals were generally more likely at the largest firms, where over 60% of summer 2008 associates who accepted offers were deferred.

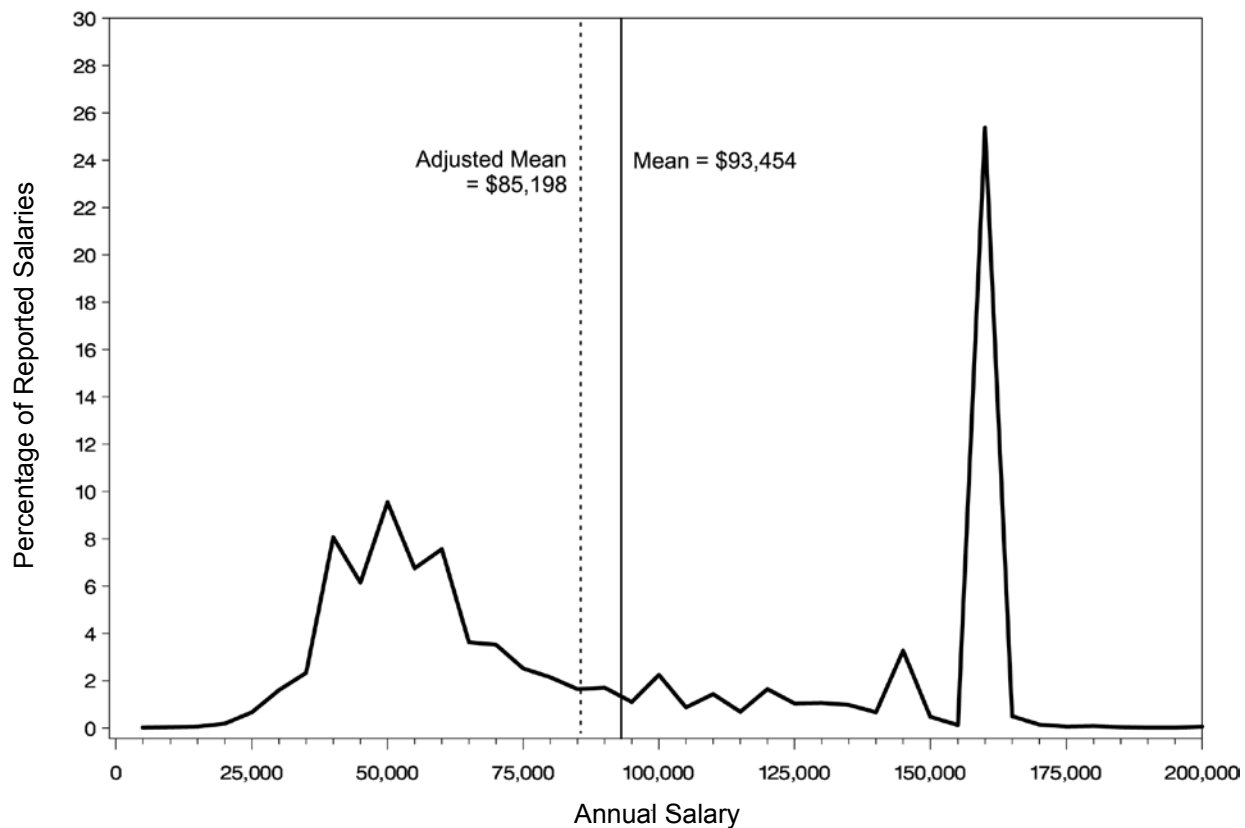
This represents an enormous interruption in the usual recruiting and employment patterns that we have come to expect. For the class of 2010, there were far fewer offers for full-time employment coming out of summer programs, and many of those who did receive offers had uncertain start dates and will certainly be deferred in the same manner in which members of the class of 2009 were deferred. For the class of 2011—those who went through the OCI process during the fall of 2009—there were far fewer 2010 summer positions available, with nearly 20% of the law firm offices that had summer programs in 2009 simply canceling their programs altogether in an attempt to catch up their recruiting cycle and absorb the associates they had already deferred.

## STARTING LAWYER SALARIES FOR THE CLASS OF 2009

The other area in which there is always tremendous interest, as there should be, is the salaries that law school graduates earn when they leave the academy and enter the profession. The national median salary for the class of 2009, based on those working full-time and reporting salaries, was \$72,000, unchanged from that for the class of 2008, and the national mean was \$93,454.<sup>1</sup> However, because some large law firm salaries cluster in the \$160,000 range while many other salaries cluster in the \$40,000 to \$65,000 range,

relatively few salaries were actually near the median or mean (see Figure 2). The national median salary at law firms based on those reporting salaries was \$130,000, compared with \$125,000 the prior year, and the national mean at law firms was \$115,254.

With the class of 2009 *Jobs & J.D.'s* report, NALP introduced the concept of an adjusted mean as an additional way to provide a broad measure of salaries for full-time jobs as a whole and for full-time jobs in law firms in particular. Essentially, the adjusted mean compensates for the fact that the distribution of reported full-time salaries is not the same as the



**Figure 2:** Distribution of Reported Full-Time Salaries, Class of 2009

*Note:* The graph is based on 19,513 salaries. A few salaries above \$200,000 are excluded for clarity. The left-hand peaks of the graph reflect salaries of \$40,000 to \$65,000, which collectively accounted for 34% of reported salaries. The right-hand peak shows that salaries of \$160,000 accounted for 25% of reported salaries. However, more complete salary coverage for jobs at large law firms heightens this peak and diminishes the left-hand peaks—and shows that the unadjusted mean overstates the average starting salary by about 10%. Nonetheless, as both the arithmetic mean and the adjusted mean show, relatively few salaries are close to either mean figure. For purposes of this graph, all reported salaries were rounded to the nearest \$5,000.

distribution of reported full-time jobs, particularly when it comes to law firm jobs. Whereas salaries for most jobs in large law firms are matters of public record and reported, fewer than half the salaries for jobs in small law firms are reported. The calculation of adjusted means is accomplished by giving more weight to the mean or average salary in small firms and less weight to the mean or average salary in large firms to calculate the overall law firm mean and also the adjusted mean for all full-time jobs. In other words, the adjusted mean is based on estimates that account for the unreported salaries. The adjusted mean for all full-time jobs reported was \$85,198 (in contrast to the unadjusted national mean of \$93,454), and the adjusted mean for full-time law firm jobs was \$102,959 (in contrast to the unadjusted mean of \$115,254).

The prevalence of high salaries in large law firms, in concert with the relatively stable salaries among other employers, continues to result in a salary distribution with two distinct peaks, as shown in Figure 2: one at the \$160,000 level and one in the \$40,000–\$65,000 range. Relatively few salaries are near either the median or the mean. This distribution would maintain its two-peak nature, although with a less extreme peak on the right and a bulkier peak on the left, even if all full-time salaries were reported, including the currently underreported small-firm salaries. It would also remain the case that relatively few salaries are at or near the median or the mean. The dotted line represents the adjusted mean based on estimates accounting for the unreported salaries, as explained above. (It is important to note that salary figures reported do not include compensation

beyond salary such as signing bonuses, bar stipends, or reimbursement of bar review expenses.)

As a matter of consumer information, especially for students who are considering applying to law school, the adjusted mean provides a better benchmark than the unadjusted mean, because it accounts for the larger number of lower salaries that are not reported. Nevertheless, the overall mean for starting salaries, whether adjusted or unadjusted, is best used to measure the rise and fall of aggregate salaries over time, and not to predict the likelihood of earning a

particular salary when graduating from law school. As the bimodal distribution of starting lawyer salaries makes clear, very few new law school graduates earn anything close to the mean. Instead, many graduates will earn much more than the mean salary, and many more will earn much less.

Median salaries for government jobs, judicial clerkships, and public interest jobs—\$52,000, \$50,000, and \$42,800 respectively—changed little from those for the class of 2008, and because salary figures in these employment settings are much more homogeneous and not particularly subject to disproportionate reporting, adjusted salary means were not calculated for these employer types. Median salaries for jobs in the military, while representing a relatively small number of jobs, actually declined from \$57,000 in 2008 to \$55,000 in 2009.

## SALARIES FOR ASSOCIATES AND PUBLIC SERVICE ATTORNEYS

In addition to measuring the starting salaries of recent law school graduates, NALP surveys law

THE PREVALENCE OF HIGH SALARIES IN LARGE LAW FIRMS, IN CONCERT WITH THE RELATIVELY STABLE SALARIES AMONG OTHER EMPLOYERS, CONTINUES TO RESULT IN A SALARY DISTRIBUTION WITH TWO DISTINCT PEAKS . . . ONE AT THE \$160,000 LEVEL AND ONE IN THE \$40,000–\$65,000 RANGE. RELATIVELY FEW SALARIES ARE NEAR EITHER THE MEDIAN OR THE MEAN.

firms and public interest organizations about the salaries paid to attorneys during their first 8 to 11 years of practice. The most recent NALP research in this area shows that associate salaries at law firms were largely flat between 2009 and 2010, although median salaries in some markets actually fell back. During this same period, salaries for lawyers working in the public interest have also been largely flat, and the gap between private sector and public interest lawyer salaries remains as large as ever.

### Associate Salaries

NALP's 2010 Associate Salary Survey shows that, although the \$160,000 salary for first-year associates still prevails at large firms in a number of markets—including Chicago, Los Angeles, New York, and Washington DC—in other markets, such as Boston and San Francisco, the median salary has dropped back to \$145,000, reflecting salaries ranging from \$110,000 to \$160,000. Even in those markets where the prevailing figure remains at \$160,000, salaries of \$130,000 to \$145,000 figure more prominently than

was the case at the time of the 2009 report, confirming the characterization of 2009 as the recent high-water mark for large law firm salaries.

The overall median first-year associate salary was \$115,000, and ranged from \$72,000 in firms of 2–25 lawyers, to \$117,500 in firms of 501–700 lawyers, and to \$160,000 in firms of more than 700 lawyers, as shown in Table 1. The latter figure accounts for 58% of reported first-year salaries in firms that size, and also represents both the median and the high salary, and can be described as the prevailing salary for firms of that size. The median salary at firms of 251–500 lawyers remained unchanged from 2009 at \$125,000, while that at firms of 501–700 lawyers declined by several thousand dollars, reflecting relatively more reporting of salaries of \$110,000, \$115,000, and \$145,000 compared with 2009. Salaries at firms with 51–250 lawyers also showed small declines, while salaries at firms of 50 or fewer lawyers remained relatively static. While the NALP survey does not attempt to tease out causation in the rise and fall of lawyer salaries, media reports of law

**Table 1:** Median Base Salaries by Associate Year and Firm Size (as of April 1, 2010)

Associate Year	Firm Size (Number of Lawyers)															
	2–25		26–50		51–100		101–250		251–500		501–700		701+		All Sizes	
	Median	# Rept.	Median	# Rept.	Median	# Rept.	Median	# Rept.	Median	# Rept.	Median	# Rept.	Median	# Rept.	Median	# Rept.
First	\$72,000	21	\$95,000	21	\$95,000	49	\$105,000	96	\$125,000	107	\$117,500	80	\$160,000 <sup>a</sup>	69	\$115,000	443
Second	76,500	18	103,000	25	99,775	52	110,000	85	125,000	96	122,700	80	165,000	89	120,375	445
Third	82,800	21	101,500	25	104,000	49	111,950	86	130,675	96	135,000	85	170,000	88	127,500	450
Fourth	83,750	18	103,500	26	104,250	52	117,000	85	135,000	98	137,500	86	176,800	88	132,400	453
Fifth	90,000	19	106,500	23	103,000	49	120,000	81	144,000	100	143,750	78	188,750	93	137,500	443
Sixth	94,300	18	109,425	20	105,500	49	120,000	81	147,000	91	151,500	71	210,000	91	144,000	421
Seventh	110,000	15	112,000	21	120,750	46	126,750	80	156,700	92	166,400	69	225,000	85	153,850	408
Eighth	102,500	14	114,950	18	125,225	40	135,000	73	161,625	88	177,500	60	235,675	79	160,000	372

Note: The “# Rept.” column indicates the number of offices reporting. Medians have been rounded to the nearest \$25.

<sup>a</sup>The \$160,000 figure was reported by 58% of firms responding in this size category and also represents the high salary for firms of that size.



firms cutting lawyer salaries were widespread during the recession.

**Public Sector and Public Interest Attorney Salaries**

The results of NALP’s recently published *2010 Public Sector and Public Interest Attorney Salary Report*, a biennial report that provides salary information for both entry-level and experienced attorneys at public sector and public interest organizations, are shown in Table 2. It shows that the median entry-level salary for an attorney at a civil legal services organization was \$42,000; an attorney with 11–15 years of experience could expect a salary of about \$62,000. The median entry-level salary for public defenders was \$45,700; with 11–15 years of experience, the median was about \$76,000. The salary scale for local prosecuting attorneys was slightly higher, starting at \$50,000 and progressing to \$81,500 for those with 11–15 years of experience. Finally, salaries for attorneys in public interest organizations with issue-driven missions—such as those dealing with women’s or environmental issues—started at \$45,000 and rose to about \$71,000 with 11–15 years of experience.

**Drawing Comparisons between Associate and Public Sector/Public Interest Salary Changes**

Together the two reports provide a basis for comparing private law firm and public sector/public inter-

est salaries. The contrasts remain stark and alarming, notwithstanding salary decreases at some large law firms. For example, the median salary for a fifth-year associate ranged from \$90,000 to almost \$190,000, depending on firm size. In contrast, attorneys with similar experience at public sector and public interest organizations could expect salaries of roughly \$50,000 to \$60,000. The \$160,000 first-year salary still offered at many big firms in big cities—or even a salary of \$145,000 or \$130,000—was beyond what even the most experienced attorneys could reasonably expect at a public sector or public interest organization.

Finally, it is also evident based on comparisons with findings in previous reports, the first of which was in 2004, that salaries at public interest organizations increased only modestly over the last six years—with increases of not more than \$15,000, and less for more junior attorneys. Although these changes are in line with those at small law firms, during this same period the typical first-year salary in a large firm in a major market increased from \$125,000 to as much as \$160,000.<sup>2</sup>


**CONCLUSION**

The entry-level job market for new law school graduates remains constrained at the present time, and history will show that at least three graduating classes

**Table 2:** Median Salaries for Public Interest Attorneys by Type of Organization and Years of Experience (as of January 1, 2010)

Years of Experience	Civil Legal Services	Public Defenders	Local Prosecuting Attorneys	Public Interest Organizations
Entry level	\$42,000	\$45,700	\$50,000	\$45,000
5 years	49,435	60,280	62,320	53,560
11–15 years	62,550	76,160	81,500	70,875

had employment opportunities that were limited by the recession of 2008. Changes in the economics of the legal services industry that happened during the recession, particularly at large law firms, mean that going forward, future law school graduates are likely to face a job market that is significantly different from that faced by their predecessors. In the medium-term future, for example, there are likely to be fewer opportunities to start a legal career at a large law firm than existed prior to the recession.<sup>3</sup>

As the legal employment market continues to change, NALP will continue to document the employment outcomes of new law school graduates, as it has for more than 35 years, and will continue to make that information freely available to the public. 

## NOTES

1. The *median* salary is the middle value in a list of salaries ranked from high to low, or the point at which half the salaries are at or above that value and half are at or below it. The median, therefore, provides a summary measure that is not affected by extremely low or extremely high values. However, if the reported salaries cluster at certain amounts, such as \$50,000 or \$160,000, the median may not fall at a single salary, but rather in a cluster of identical salaries. The median salary might even be the most commonly reported or prevailing salary, particularly in narrowly defined segments of the market.

The *mean* is the average value of a set of salaries and thus can be affected by unusually high or low salaries. For example, if the mean salary greatly exceeds the median salary,

that is an indication of some relatively high salaries. Taken together, the median and the mean can provide a greater understanding of earnings.

2. For additional information on the findings reported in NALP's *2010 Associate Salary Survey* and *2010 Public Sector and Public Interest Attorney Salary Report*, see an NALP press release including summary salary tables at [http://www.nalp.org/assoc\\_pi\\_sal2010](http://www.nalp.org/assoc_pi_sal2010).
3. For more information on the changes happening in the legal services industry and how they are affecting new law school graduates, see Professor William D. Henderson's article, "The Class of 2009: Recession or Restructuring?" available at [http://www.nalp.org/uploads/NALPJuly2010\\_Henderson.pdf](http://www.nalp.org/uploads/NALPJuly2010_Henderson.pdf).



JAMES G. LEIPOLD is the Executive Director of NALP, the National Association for Law Placement. Prior to joining NALP in 2004, he worked for the Law School Admission Council and, before that, at Temple University School of Law as director of admission and as an adjunct faculty member. Leipold earned his bachelor's degree at Brown University and his J.D. at Temple. He speaks and writes frequently on trends in legal employment for recent law school graduates.