

Hiring Trends for Recent Law School Graduates

Law schools are experiencing renewed interest from prospective students, which is good news for those institutions, but it's likely that the employment landscape that awaits newly-minted JDs will be very different from the Big Law-dominated ones that prevailed for decades previously.

Increasing Interest in Law School

Law school applications are on the path of recovery from the plunge they took following the financial downturn, a trend that has reportedly been accelerated by the most recent Presidential election. More and more students – across the political spectrum – are taking the Law School Admissions Test (LSAT), as they view a career in law as the best path to make a difference. Some in the legal community are even referring to the trend as the "Trump bump."

Since the election, the number of students taking the LSAT has surged; so far in 2017, each occurrence of the test, which is administered four times a year, saw year-over-year increases:

- In February, the number of students that took the test was up 5.4% year-over-year, to 21,400;
- In June, the number of people that took the LSAT was up 19.8% year-over-year, to 27,666; and
- In September, the number of test-takers was up 10.7% year-over-year, to 37,146.

That said, politics isn't the only factor playing a part in this renewed surge of interest in attending law school. Schools are getting better at marketing themselves to prospective students, have reduced barriers to application, such as eliminating the limits on how many times a person can take the LSAT, and they're providing more tools and resources to help students get ready for the test.

In addition, some laws schools have started offering generous scholarships and tuition discounts to spur enrollment, especially students with high LSAT scores. The tuition survey conducted by the National Association



of College and University Business Officers and the AccessLex Institute shows the presence of discounts at private, high-tuition law schools was up, from 33% in 2015 to 38% in 2016. It also found that almost half of the students from the surveyed school had received a tuition discount in the fall semester of 2016.

Renewed interest in law degrees is all good for law school enrollment, but how does this translate in terms of job placement? In particular, we were interested to explore the hiring trends of major U.S. law firms, where many legal graduates traditionally gain their first professional employment.

Leopard Solutions has been collecting data on law school graduates and attorneys for over a decade. Recently, we looked back five years at how many new graduates the top 200 U.S. firms hired. Our study suggests that the hiring of new graduates among firms has slowed down in recent years. Even graduates from top law schools are finding fewer positions at large firms.

Firm Hiring on the Decline

As Figure 1 below shows, there's been a significant drop in the number of new hires by the top 200 firms between 2013 and 2016. The total number of new hires in 2016 is 25.4% lower than it was in 2013, and the gradual annual decline in the number of new hires seems set to persist in 2017. So far, as of the third quarter, there have been a total of 2,678 new hires, which accounts for a year-over-year decrease of 3.8% compared to the number of new hires over the same period in 2016 – not as steep a drop as the previous three years, but a drop nonetheless. The same dynamic also holds across gender lines.



*2017 data for Q1-Q3 only



Top Schools Not Immune

We also looked deeper into the data to address the question of whether graduates from the very top law schools were experiencing the same conditions, or if they were insulated from the labor market contraction in Big Law. For the 2013-2014 period, four of the five top schools were able to buck the trend – performing better than the overall benchmark. However, over the longer term, even the elite have seen declines in placements at large firms broadly in line with the overall trend (see Figure 2).

For instance, there's been a steady decline in the number of Yale Law School graduates that are finding jobs in the top U.S. law firms. In fact, there was a 27.4% drop in the number of graduates finding jobs between 2013 and 2016, which is comparable to the overall decline of 25.4% over the same period. Year to date information for 2017 suggests the trend may be leveling off, at least for Yale, which has already seen 54 graduates hired by larger firms so far this year, compared to 53 in the first three quarters of 2016.

Top U.S. Law Schools 2017

- Yale University
- Stanford University
- Harvard University
- University of Chicago
- Columbia University

Source: US News & World Report

A similar trend is observable for Stanford Law School graduates. Between 2013 and 2016 there was a 28.5% drop in the number of graduates hired by the 200 largest firms. The number of graduates from Stanford finding employment in 2017 is expected to remain flat. As of Q3 2017, 64 had been hired, compared to 60 for the first nine months of 2016.

Harvard Law School places more students at major firms than any other top school, but it, too, has witnessed a steady decline in placements. Between 2013 and 2016, there was a 24.8% drop in the number of graduates that secured a position in the largest 200 firms. At the third-quarter mark, the school had placed 185 graduates so far in 2017,

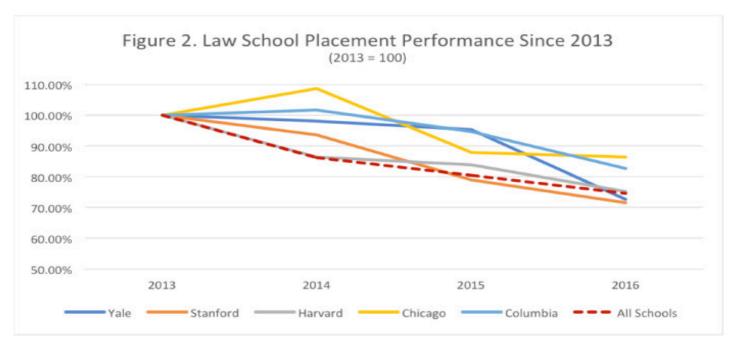
compared to 177 for the same period in 2016.

The University of Chicago Law School's trend line is slightly different, in that from 2013 to 2014 it saw an 8.6% increase in the number of placements. But, between 2014 and 2016, there was a 20.5% decrease. For 2017, the number of graduates hired by large firms is likely to remain relatively the same, as 60 graduates have been placed up to Q3, compared to 62 in the first nine months of 2016.

Columbia Law School follows a similar pattern to the University of Chicago, as it saw a 1.7% bump from 2013 to 2014, but then experienced a slow decline after that. Between 2014 and 2016, there was a 18.7% drop in the



number of graduates placed. As of the end of Q3 2017, there were 128 students that had found employment in top U.S. law firms, compared to 173 in the first three quarters of 2016, which suggests a continued decline in the number of placements is possible.



Of course, variations in individual law school class sizes and composition will account for some of the observed changes in year-over-year performance. Taken as a whole, however, the data tells a consistent narrative.

Dynamics in Driving the Trend

While there's been a recent uptick in the number of students taking the LSAT or thinking about undertaking a career in law, the reality is that law firms – at least the top 200 – are hiring fewer new graduates than they were just five years ago. What are some of the dynamics at play behind this trend?

Part of the explanation is that large firms have been relying heavily on laterals when it comes to their growth strategy. That said, and as was said in a previous Leopard Solutions <u>paper</u>, the lateral market appears to be cooling off in 2017. Whether this cooling off will give way to a resurgence in the number of recent graduates hired remains to be seen. At present, the data seems to be pointing to a slowing decline – but that is far from a rebound.

Another explanation is that the <u>"lawyer bubble"</u> has indeed "popped" following the 2008 financial crisis, low employment prospects have pushed graduates into other professions. Not only did the recession slow down the pace of hiring at large U.S. law firms, but the emergence of new technologies (e.g. artificial intelligence and



machine learning) is reducing the need for junior lawyers. New law school graduates are thus <u>competing</u> with other junior lawyers for a small share of the private practice labor market and this is most likely to hold true in the short and long term as law firms continue to reduce headcount because of efficiencies produced by emerging technologies and because of increased competition from alternative legal services providers.

That is not to say that firms will stop hiring new graduates altogether, and one area of preparation that could boost candidates' prospects is their private practice readiness, i.e. how prepared they are beyond their knowledge of the law for the business of law. A common criticism laid at the doorstep of law schools is that they <u>do not produce</u> so-called "practice ready" graduates. While law schools prepare future lawyers to understand the word of the law and legal issues, teaching them "how to do what lawyers do – find clients, run conflict checks, set up trust accounts, service those clients, manage a docket, market, operate billing systems, track time, negotiate, obtain financing, manage filing systems, hire and train personnel, make payroll, ding late-paying clients – was not historically a large part of the curriculum," <u>according</u> to one Law Practice Management expert. A law school graduate with some of these skills – or that is well versed in emerging technologies – could have a competitive advantage over those that don't.

Stay Ahead of the Curve

Leopard Solutions data can assist law schools trying to improve job placement rates by monitoring hiring trends from U.S. law firms, identifying top hiring firms and determining what skills these firms are typically looking at when hiring candidates fresh out of law school.