PRESS CUTTING

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Will This Year Bring More Aggressive Partner Cuts?

The American Lawyer

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Since the financial crisis started to grip the global economy in the summer of 2007, law firm associates have been feeling the effects. For over a year there has been a succession of layoffs, bonuses have been cut, and, in a few cases -- Latham & Watkins and Orrick Herrington & Sutcliffe -- associates are being kept at 2008 pay. With the global economy showing no signs of improving, more associate cuts seem likely to follow this year.

So far, so typical of law firms' responses to economic downturns. But will this be the year when firms aggressively cut their partnership ranks, both equity and non-equity, in a bid to keep profits per partner from falling too far? The outlook on both sides of the Atlantic is bleak.

The bloodletting has already begun, as Jenner & Block and Sonnenschein Nath & Rosenthal can well attest. Consultant Peter Zeughauser says the situation beyond those firms is grim. "Yes, we're seeing cuts to partnerships," he says. "It's widespread across large, midsize, and small firms." He estimates that somewhere between two-thirds and three-quarters of firms in The Am Law 100 are looking at reducing their partnerships. "There's a high level of anxiety about 2009. You're seeing a pretty systemic review of what needs to be done [in order to] hold on to top-performing partners."

Zeughauser's comments are echoed by Martha Sellers Klein, a recruiter at MLegal Consulting Inc. in Palo Alto, Calif.: "We are seeing firms deequitizing and getting rid of nonperforming partners in order to maintain their profitability."

Across the Atlantic, recruiters and partnership experts are saying much the same thing. **Ronnie Fox of Fox Lawyers** in London: "We're acting not only for departing partners but also for law firms who feel they have to reduce their equity," he says. Dominique Graham of Graham Gill, also in London: "Firms are deequitizing senior partners, and getting rid of junior partners who were brought in to service as opposed to generate work." A number of partners in Linklaters's London office have reportedly been asked to leave; a spokesperson for the firm declined to comment.

All recruiters interviewed for this story refused to divulge specifics -- firms, numbers, etc. But there is a scary consistency to their statements.

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Both Zeughauser and K&L Gates chairman Peter Kalis agree that the leading Wall Street firms, such as Wachtell, Lipton, Rosen & Katz and Cravath, Swaine & Moore, which mostly have a one-tier partnership, have kept a tight grip on naming new partners and are unlikely to make cuts. But firms with large numbers of nonequity partners may be quicker to cut attorneys who are predominantly not business winners, they say. (Kalis insists that K&L Gates, a firm with 365 salaried partners according to the 2008 Am Law 200 survey, has no plans to cut its partners.) "As the year progresses, you'll see different outcomes for different firms, says Kalis. "Right now everyone is waiting to see the [2008] financial numbers."

New York-based recruiter Alisa Levin of Greene-Levin-Snyder LLC also takes a wait-and-see attitude. "Firms have been dealing with their year-end compensation. Now, I think, they'll look more broadly at their business."