Are You About to Be Laid Off

You need to keep the unpleasant possibility of lay-offs in the back of your mind, for it has become a very relevan
whether you are a partner or an associate. In fact, the larger your firm and the more practice areas it offers, the g
off danger, especially if each practice specialty is considered its own profit center. We'll tell you how to spot the s
pending lay-offs in a moment, but first, a little legal cultural history is in order, as it will place the specter of law fir
context for you.

Law as a Gentleman's Club

Still in the memories of lawyers now in their sixties lives a magical era when big law firms did not lay off attorneys
bonuses might be discreetly cut, their clients shared or gently expropriated (while accompanied by some seemin
explanation), and their salaries secretly frozen. These middle-aged and older lawyers would be silently acknowl
deadwood, carried by other more productive partners and associates until eventually made of counsel or given a
gracefully retired. Unless there was moral turpitude involved, a lawyer, with few exceptions, was almost guarante
employment.

Sleepy Giants Transformed

Changes to this gentlemanly environment came in the 1970s and have intensified since. The first shock to what
approximated a 19th-century-men's-club atmosphere began with the start of Yellow Pages **legal-services** adver

1970s, a move fought vigorously but unsuccessfully by the American Bar Association. Next came the scrutiny of l M.B.A. consultants in the early 1980s, followed by the multiple crashes of dot-com firms in the late 1990s and ear century.

Thus, in the final three decades of the 20th century, the law profession saw itself transformed from an inbred, sle regulating subculture into an intensely competitive service business vying both for the highest-paying clients and cognitive resources (law review and federal clerkship graduates of the top law schools). These competitive press driven up associate salaries and opened up competition for clients, even at discreet white-shoe firms.

Cultural Change Number One: "Decultured" by the Yellow Pages

Yellow Pages advertising, other than listings, was (and still is) generally avoided by major American national and law firms. However, such advertising has become a boon for small law firms, who use the Yellow Pages, televisio to attract small clients in volume, which had previously been next to impossible due to the legal subculture's unw prohibitions. Big law firms seldom if ever solicited business off the street, but preferred and still prefer stable rela large, deep-pocketed clients who are wooed not in a mass retail environment, but through discreet professional referrals, and private clubs. Part of this abhorrence of advertising can be traced to the influence of the Protestant especially in big, old-line firms. In this Ethic, calling attention to one's self in any way was frowned on. The use of Pages by lawyers acted as an open challenge to such prevailing Protestant-dominated orthodoxy. Attorneys adv Yellow Pages destroyed whatever faade the law had built over the previous centuries as a discreet, almost pries that disdained mass solicitations. In turn came a change in the public's perception. Lawyers' emergence in the Y helped create the impression of law as a service industry like any other.

Cultural Change Number Two: The Withering Scrutiny of M.B.A.'s

The use of consultants by law firms can be partly linked to the effect that the Yellow Pages had democratizing the changing its public perception. Once you accept that running a law firm is not analogous to managing a men's cl demonstrably different from running any other business, hiring business consultants becomes the logical next st

Business professors and consultants quickly introduced into imbedded law firm cultures a revolutionary new form disciplined economic and structural analysis. They compared law firms' existing organizational structures and fin management practices with modern business structures and practices. Most law firms were found to be inefficien operating economically in counterintuitive ways.

In the July/August 1984 issue of *American Lawyer*, David Maister, then of the Harvard Business School, produce article on law firms. He created terms such as:

NIPP (Average partner income)	L (Ratio of associates to partners)
BR (Blended hourly rate)	U (Client hours recorded)
R (Revenues divided by time recorded)	M (Partners' profits divided by rev

Maister uncovered much that is today accepted as a truism. For instance, he observed that a practice area produ revenue if a partner spends an hour generating three hours of associate work than if he/she works one hour bille Maister produced charts identifying the most economically efficient ratio of partners to associates based on a var general assumptions. He identified high-margin clients and high-margin practice areas. He detailed profit per pa support-staff and associate turnover rates. He charted partner equity growth rates, the share of fees from high-ma He examined ratios of support staff to associates and partners, all of this in a search for a maximum leverage and resources to produce the highest possible year-end profit. As a result, lawyers, support staff, and partners becam conceptualized as work units and modules in an economic engine designed and constructed to generate sufficie perpetuate itself. These work units were not in stasis, but always in movement, either towards greater or lesser fi

figures did not lie. They isolated and detailed each individual's contribution and made it relative both to a norm a
proposed target level. It also placed every economic unit within the firm in competition with every other. This scie
Darwinian business approach has made the lay-off merely one more business tool useful in protecting a law firm
margins. The ancient ideas of Christian charity and Protestant noblesse oblige that once served to protect even u
members of a law firm had vanished.

Cultural Change Number Three: The Dot-Com Crash

There are retrograde moments or contra-historical blips that in their contrariness affirm the enduring force of cultu
One 19th-century example is Napoleon and the brief return of the French monarchy that momentarily interrupted
out to be lasting democratic tradition in France.

Another example of a retrograde moment was the late-20th-century dot-com explosion of business start-ups in th
and Silicon Valley areas during the technology boom of that era. Suddenly, law firms threw economic caution to
Lessons taught them by business consultants were forgotten. Firms could not hire enough associates fast enoug
work done. At many firms, clients had to be turned away. Even second- and third-tier law school graduates found
prestigious firms begging for them. Then, with dazzling quickness, it all came to an end. This is when law-firm lay
recommenced in earnest.

So What Are the Signs a Lay-off is Coming?

You now have some insight into how business consultants dissect the economic functioning of a law firm. Basica
business-consultant drill is to always look for extraneous operations that somehow have grafted themselves onto
operation, but are of questionable economically productive value. The business consultant seeks maximum use
of all available resources. This mindset is ongoing because opportunities to cut, trim, and thereby improve are al
available.

With this background in mind, you might try to pretend you are an outside observer who suddenly has the kind of
your firm that you have gained by working there. The problem is how are you to know which clients produce the h
and which generate the lowest. Low-margin clients usually get such a designation because they require a lot of
to haggle, can't make up their minds, etc. Or the partner causes all of this. Chances are you will never gain the ki
ascertain such facts. Therefore, you have to make external observations because those are all you have. Scrutin
such external observations may be sufficient.

The first alert is the loss of a client or a reduction in business by a major client. When this happens, a firm's m
committee almost automatically starts thinking about which partners and which associates might be expendable
profits is seen as temporary because, say, a new client is on the horizon or a re-organization is about to take plac
an anticipated partner retirement, then probably this drop in net profit can be tolerated for the short term, and no a
taken.

The problem is ascertaining a management committee's tolerance for loss. How long is "short term" for this comm
months? Six months? Also, how deep is the drop in net profit? If profitability does not just decline, but plunges int
concern for the firm's long-term viability heightens. Lay-offs are triggered when a management committee conclu
no longer tolerate a seemingly diminished and possibly terminal financial future.

***Your first task is to figure out whether you are among a core of elite partners and associates who are to be
being laid-off or whether you are potential prey.*** If you are not lucky or resourceful enough to have a spy within
management committee, you will have to deduct what's about to happen from what you observe. We enter a sub
here. One can watch body language and listen carefully for hints from certain key keepers of secrets, but even th
partner may not know in advance when his/her tolerance for the situation will collapse.

Also, how one deals with a financial crisis can differ from firm to firm. The management committee can decide to offs by cutting year-end bonuses and partner distributions, temporarily eliminating its summer intern program, fre salaries, or reducing or eliminating certain perks, such as paying a smaller percentage of health insurance cover Much of this is done in the ancient spirit of offering sacrifices to the Profit God. The hope is that by reducing expe short term, something miraculous in the long term will reward such faith: a new client or an old client suddenly ge work. When and if this doesn't happen, the next step, unfortunately, is human sacrifice(s).

Sudden large-scale efforts at expense containment may not necessarily mean lay-offs are the next step. The firm instituting these measures merely to increase already-healthy net profits. On the other hand, let's assume that yo healthy, yet hires a business consultant anyway. Rest assured that this consultant, to justify his/her fee, will recor or all of the above cost-cutting tactics, as well as others not mentioned, whether or not the firm is financially strap also anticipate that this consultant may recommend leaner staffing. This can relate just to partners, just to associa support staff. Or the recommendation can include some or all of these categories. *So the hiring of a consultant se another red flag.*

The Importance of Secrets

Key piece of advice: Identify the keepers of secrets in your firm, and keep an eye on them. These secrets have t deleterious changes in revenues and in the firm's ranked assessments of both partners and associates. These se may reveal information without thinking.

The Employment Partner's Secrets

In law firms, the partner with employment responsibility has personal knowledge of individual medical conditions abuse problems, marital discord, divorce, and other personal matters that cannot be shared. He/She will be privy needs and their lack, potential retirements, plans for reorganization, plus whichever aspects of the firm's financia others more senior in the know choose to share. Eventually, he/she gets involved in helping to determine who ge

The Business Manager's Secrets

The business manager of a big law firm, or the lawyer responsible for this function in a smaller firm, possesses d secrets. These concern the profitability of specific practice areas, as well as an overview of the firm's overall finan performance. In smaller firms, there may not be sophisticated, ongoing financial analysis in place, creating the lil the partners literally wake up one morning to find that they are hemorrhaging money. When such a panic ensues come quickly and without warning. Still, if a lawyer watches what goes on, there can be clues that potential probl
Has your work load tailed off and stayed that way?

Are partners suddenly leaving your firm without plausible explanation?

Are satellite offices being closed?

Are partners having a lot of closed-door meetings?

Have outside consultants suddenly taken up residence in the conference room?

Are these same partners suddenly walking around looking upset/worried?

Has the summer-associate program been canceled?

Has the annual Christmas party or some other traditional firm fete been scaled down or eliminated?

Has employee medical coverage been reduced or eliminated?

Have practice areas been merged or eliminated?

Have already-hired associates been told not to report in August, but instead in January?

Are there rumors of partner bonuses being reduced or eliminated?

Have salaries suddenly been frozen?

Three or more of these signs should place you on notice. Four or more should, at least in your mind, send up a la

There's more...

Ongoing rancorous disputes with clients over bills can predispose this client to take its business elsewhere. Visit auditors are generally not a good sign. Finally, how quickly such problems are addressed and dealt with can be how expeditiously a firm is likely to deal with threats to a healthy bottom line. If the firm's management has a tend the other way or procrastinate, then you can assume that this tendency probably extends to other matters, such a monitoring of the firm's financial health.

How much time do you have?

Difficult to say. There are two timetables to consider-yours and the firm's. As we mentioned earlier, how long a fir sacrificing to the profit god what it sees as its weakest and therefore most expendable employees differs with eac Generally, there will be an attempt to approach the problem logically. Here are possible timetables:

The Firm's Timetable

Problem Detection and Deciding What to do Once it is determined that a firm has a financial problem, the management committee must decide how to fix the problem. Two to three meetings required.	Two to six weeks
Implementation of Preliminary Measures If the hemorrhaging can be contained by cutting back on non-personnel expenses, you	Two months

have nothing to worry about. (WARNING: Don't be misled if there is a series of cuts and then a lull. The plan may be designed to take place in steps, with a pause after each step to determine if it is necessary to proceed to the next step, each new step being more severe than the previous one. By the time you and your cohorts figure this out, it may be too late.	
Preliminary Measures Don't Work. Panic sets in slowly and then crests.	Beginning of third month
Emergency Meetings. Lay-offs Approved. "Need-to-know" Partners notified of plans.	Fourth Month
Lay-offs Begin	Fifth month or soon after

Your Timetable

Whatever you do, do not take the above chart literally. It is provided to give you a general idea of how the proces identify the steps that must be taken before lay-offs commence. Remember, there are all sorts of factors that mus considered. Certain procedures must be followed to assure that the lay-off process is conducted equitably. There discrimination, sex discrimination, and racial discrimination laws to consider and negotiate. There is the matter o employees are to be treated in terms of severance and other matters. As a result, big firms in particular proceed s with caution even after their minds are made up. But note: Small firms, especially if there is only one senior partn operate more quickly than large firms, which must deal with a multiplicity of departments and fiefdoms, each of w brought on board and coordinated.

Unless you have a source within the inner sanctum of a firm, you will likely not be aware of a problem until econo are suddenly put in place. A general rule is to go into proactive attack mode the minute you perceive trouble. Sta **a job** so that you can be prepared when the moment finally arrives.

Conclusion

Few lawyers during their working lives are likely to escape either the threat of a lay-off or its actuality. In the end, careers end, and all of us, in effect, eventually get laid off. The job of every lawyer is to guard his/her livelihood a as long as possible. Avoiding lay-offs is one part of this job. Keep your eyes open.

See the Top 32 Reasons Attorneys Lose Their Jobs Inside of Law Firms to learn some of the most common attorneys are fired or let go from law firms.