

The Good Times Still Roll Thanks to a Strong Corporate Sector

State Of The Market Report: Spring 2006

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We are seeing robust demand for attorneys by corporate legal departments across the country, marked by a 20-percent jump in job orders in nearly every industry. This is a reflection of a strong U.S. economic market, fueled by positive news from Wall Street. As a result, we have seen a significant increase in demand by corporate legal departments for attorneys at all levels, especially in the corporate sector.

For corporate generalists, the largest demand is for mid-level attorneys with mergers and acquisition experience, as well as practitioners with extensive Sarbanes-Oxley experience. As a result, according to Hildebrandt International, top U.S. government regulators have been increasingly tapped by public corporations to serve as general counsels, a development that is likely to continue.

Investment firms and banks continue to thrive in this economic climate and, as a result, have been leading the way in hiring corporate specialists to grow their ranks. Further, we are seeing very high demand for corporate attorneys in specialty areas such as finance (corporate finance and capital markets), investment (hedge funds and 1940 Act), and, to a lesser extent, securities.

The competition for these corporate specialists is especially fierce, as companies are vying for attorneys in a very small talent pool. Because the

corporate sector was the hardest hit by the recent recession, companies and law firms were unable to generate enough work to retain these specialists during the economic downturn and, as a result, shed the majority of their practitioners in these practice areas. Those few lucky enough to survive the layoffs were not able to gain the kind of experience companies are now seeking; therefore, we are seeing a shortage of talent in these specialty areas.

Other sectors still experiencing a great deal of activity are the pharmaceutical, health care, and high-tech sectors. Consequently, there has been an increased demand for health care attorneys with regulatory and compliance experience and corporate attorneys with pharmaceutical and FDA regulatory experience. On the high-tech front, companies are primarily seeking intellectual property attorneys with patent and licensing experience and backgrounds in the hard sciences, primarily in electrical engineering.

While still lagging behind, insurance companies have continued to remain very active in the hiring of litigation attorneys, making up about 45% of all litigation hires. Close behind that has been the demand for employment/HR litigators. As a result of comparatively limited opportunities in the marketplace for litigators, together with a large available talent pool, companies have been able to meet their high standards and recruit exceptional litigators.

An interesting trend in the spring of 2006 has been the shift in the economy of practice that has been considered hot over the past year, but has started to show signs of cooling down. For example, despite a continued demand for real estate attorneys, especially in the area of real estate finance (including a regional demand in the Gulf Coast as major reconstruction begins), we are forecasting real estate demand to level off by the end of the year. We expect the

market for real estate attorneys to slowly return to pre-2004 levels as investors begin to shift back to the stock market as their preferred investment vehicle.

Compensation rates for the first quarter of 2006 have been on the rise, growing by nearly 10 percent over last year's figures. While in-house compensation still lags behind that of law firms, companies have been aggressively increasing incentive-based pay plans, such as bonuses and stock-option packages, to bridge the gap. While New York law firms increased starting salaries earlier this year from \$125,000 to \$145,000, with other law firms in major metropolitan areas following suit, we are seeing companies continuing to raise their compensation levels in an attempt to narrow the gap and remain competitive in their recruiting efforts.

Another interesting trend in the legal marketplace has been the rise of activity in the Southern states, which have taken a prominent place alongside traditionally strong regional hotspots like New York, Los Angeles, and Washington, DC. States like Georgia, North and South Carolina, Virginia, Arkansas, and Tennessee have experienced a marked increase in demand for attorneys by corporate legal departments in a number of industries. Numerous large and mid-sized companies have taken advantage of economic incentives offered by Southern states, such as rebates on income tax withholdings and suspension of property taxes, relocating their headquarters and other centers of operations to places like Atlanta, Memphis, and Charlotte. While the major cities in the South have gained a large share of the credit for the strong growth and economic showing, small Southern towns are also showing signs of growth.

Looking ahead to 2006, we predict that healthy demand for attorneys will continue, especially in the corporate, health care, and high-tech sectors. As

always, we stand ready to assist our clients in meeting their hiring needs and wish them a prosperous 2006 spring quarter.