

## Time for the top tier to lift its growth game



SHAARON DALTON

The data in the most recent Australian Legal Partnership Survey period (January 2 to July 1, 2023) looks very positive on face value. There was a significant increase in partners and fee earners over both the six months and 12 months comparison data.

Top tier firms (Allens, King & Wood Mallesons, Herbert Smith Freehills, Clayton Utz, Ashurst, Minter Ellison and Corrs Chambers Westgarth) have not done as well in the growth trajectory as domestic and international firms and need to take note.

They are losing ground to domestic and international firms, mainly due to unsustainable working practices and insufficient pay and incentives.

The disconnect between the working model of these firms and what drives their fee-earning staff is causing a threat to their ability to sustain the business model.

Perhaps technology will assist them to pivot longer term, but in the short to medium term it will be costly for them.

The first six months of 2023 saw strong growth in partner and fee earner numbers (3.7 per cent and 3.2 per cent, respectively, among the 52 firms that responded to the survey). In the 12 months comparison, growth in both partner and fee earner ranks exceeded 6 per cent.

Graduate numbers were compared on an annual basis to the previous year with a drop of 6 per cent recorded overall, the only sign of uncertainty on the horizon in the period.

Domestic firms recorded the strongest growth with 4.88 per cent over 6 months and 7.58 per cent in 12 months.

International firms saw 3 per cent partner growth for the six months and top tiers increased only 2.5 per cent.

There was a slight drop overall in partner-to-fee-earner ratios in total compared with last survey. Top tier firms have mainly steady with their ratios this survey, recording figures of between 3.9 per cent (Ashurst) and 5.79 per cent (Allens). Corrs Chambers Westgarth dropped from 5.65 to 4.67 per cent being the only significant difference either way.

Firms that grew fee earners significantly in the six months to 1 July 2023 were mainly domestic firms – Hamilton Locke (23 per cent), Moray & Agnew (18.7 per cent), JWS (16.57 per cent) and Barry Nilsson (15.57 per cent). Internationals, Pinsent Masons (19.44 per cent) and KPMG Law (17.86 per cent) also showed large fee-earner increases.

The overall growth results from several factors. On the partner level, increased workflow and profits from the Covid period meant good promotion pipelines.

There was also a steady flow of lateral hiring with firms filling

gaps in expertise and succession planning. At fee-earner level, post-pandemic itch and the shrinkage of opportunities offshore were both at play in domestic market movement.

The partner trend will likely continue and pick up pace as firms and high performing partners jostle for position, profits and market share.

With the return of the global market for talent predicted for the next survey period, Australian firms will struggle to compete financially with higher salary and lower tax opportunities offshore. Post-pandemic itch has been replaced with disillusionment from low pay increases in the EOFY reviews that did not keep pace with inflation.

Lawyers in Australia no longer buy into long hours, difficult personalities and hierarchical apprenticeship model that have enabled the legal partnership model to experience exponential growth over the past 40 years. Promises of partnership in 10 to 15 years mean nothing to Gen Z who are used to instant gratification.

Young Millennial and Gen Z lawyers will not wait. They do not need to. They will move for more money or conditions that match the money they are receiving where other priorities of a sense of purpose, life experiences, autonomy and flexibility can be met.

### Australian firms will struggle to compete with higher salaries and lower taxes offshore

There are a few firms that are offering innovative reward and engagement models that are addressing the issue and it seems to be working for them:

- Hamilton Locke's focus on people experience (Px) and the ESOP (employee stock ownership plan) for all employees (not just fee-earners) changes the relationship to one of shared purpose and ownership. The Da Vinci program, open to partners and staff, enables life-enhancing experience and opportunity.
- JWS is launching a share scheme for senior associates that shows their commitment to sharing the rewards of shared effort.
- Gadens partnership has made a big statement in the support of family life for their partners and staff with their 30 weeks parental leave scheme.
- Some international firms have bonus schemes that are significant (high five and into six figures) that properly reward high performance and long hours (not the \$10,000 to \$30,000 that is typical in domestic top tier).

Top tier firms must rise to the challenge of making attractive, sustainable workplaces for the new generations of associates and senior associate or risk losing profits and market share to international and local competitors.

Shaaron Dalton is a strategic adviser at Eaton Strategy + Search

# Firms resist downturn to expand their workforces

ELLIE DUDLEY  
LEGAL AFFAIRS  
CORRESPONDENT

Australian legal firms withstood heavy inflationary pressures to emerge from the financial year boasting larger workforces and bolstered revenue, with leaders attributing spikes in activity to business booms in emerging sectors and those less susceptible to market volatility.

The Australian Legal Partnerships Survey reveals that harsh economic headwinds weren't enough to stop Australian firms going on hiring sprees, with the number of fee-earners rising by 6 per cent over the past year.

Growth opportunities were also in abundance, with the number of partners growing by 6 per cent across the board. However, graduate hiring eased slightly (down 6 per cent), which is understood to be a precautionary measure taken by firms that feared the worst as a potential recession loomed.

Eaton Strategy + Search strategic adviser Shaaron Dalton told The Australian that while firms were bracing for a slowdown and some had briefly frozen hiring, for most practices the drop-off in business never came.

"Sure, there's been a bit of a softening in the corporate commercial market, particularly at the top end," she said, "but it really isn't affecting firms, because there's been such a lot of new practice areas."

Areas such as the public sector, property, cyber security, family and energy had been booming, Ms Dalton said, meaning law firms may have seen a drop in some areas, but a sharp spike in others.

"The highest demand that we have at the moment is energy, particularly renewables," she said. "Any sort of energy expertise is really well regarded."

Firms were resistant to troubles that plagued overseas markets. Many companies across Britain and the US let thousands of employees go, cut benefits and froze pay.

Cadwalader Wickersham & Taft in April reportedly sacked about 30 business professionals and 15 associates. Cooley, Goodwin Procter, Stroock & Stroock & Lavan and Shearman Sterling also axed lawyers over the past year, citing a slowdown in work.

But while some smaller firms such as Banki Haddock Fiora (-26 per cent), Swaab (-40 per cent) and KeyPoint Law (-63 per cent) had a reduction in fee-earners, most of the larger players in Australia saw a rise in overall headcount.

Global firm Ashurst lifted the number of fee-earners by 13 per cent over the past year, and saw an 8.5 per cent increase in partners. Global CEO Paul Jenkins said while the firm wasn't immune to difficult economic challenges, the strength in some practice areas should "more than offset" any

### THE STATE OF THE INDUSTRY

	Partners	% change (6 months)	% change (12 months)	Fee-earners	Fee-earners/partner ratio	Graduates
GILCHRIST CONNELL	35	2.94	9.38	85	2.43	5
ASHURST***	192	6.67	8.47	752	3.92	77
DLA PIPER*	76	0	1.33	209	2.75	21
BANKI HADDOCK FIORA	12	20	20	14	1.17	3
COLIN BIGGERS & PAISLEY	73	0	-5.19	179	2.45	20
HWLEBSWORTH LAWYERS (MDP) KPMG LAW	281	0.36	1.44	886	3.15	134
BAKER MCKENZIE*	24	4.35	0	132	5.5	13
CLAYTON UTZ**	84	-2.33	-2.33	217	2.58	24
RESULTS LEGAL	176	0.57	4.76	840	4.77	68
GADENS	5	0	0	17	3.4	2
HOLDING REDLICH	93	10.71	17.72	215	2.31	24
HAMILTON LOCKE	65	-8.45	-12.16	214	3.29	27
RUSSELL KENNEDY LAWYERS	49.8	-12.63	18.57	106	2.13	9
ADDISONS	52	0	0	103	1.98	16
ALLENS**	19	0	-9.52	61	3.21	6
MADDOCKS	156	1.3	0	904	5.79	117
KEYPOINT LAW	90	2.27	-1.1	340	3.78	31
JOHNSON WINTER & SLATTERY	66	11.86	15.79	6	0.09	0
DENTONS*	85	4.94	7.59	204	2.4	22
THOMSON GEER	83	7.79	0	179	2.16	16
WOTTON + KEARNEY	143	5.15	7.52	305	2.13	48
GILBERT + TOBIN**	62	10.71	26.53	238	3.84	20
SEYFARTH SHAW AUSTRALIA*	105	3.96	20.69	456	4.34	40
NORTON ROSE FULBRIGHT*	12	20	20	30	2.5	0
HALL & WILCOX	123	0.82	-1.6	434	3.53	45
PINSENT MASONS*	127	7.63	18.69	452	3.56	47
ARNOLD BLOCH LEIBLER	26	8.33	18.18	86	3.31	9
BARRY NILSSON LAWYERS	43	0	0	156	3.63	23
CORRS CHAMBERS WESTGARTH**	40	11.11	193	4.82	12	
HERBERT SMITH FREEHILLS***	143	-2.05	-1.38	668	4.67	77
MORAY & AGNEW	171	3.64	4.91	947	5.54	91
LANDER & ROGERS	108	0.93	-0.92	273	2.53	14
K&L GATES*	94	10.59	10.59	308	3.28	26
HOPGOODGANIM LAWYERS	75	15.38	0	211	2.81	23
SPARKE HELMORE LAWYERS	42	-2.33	-10.64	118	2.81	12
MCCABES	91	-1.09	1.11	368	4.04	18
JONES DAY*	36	44	165	4.58	16	
MACPHERSON KELLEY	28	-6.67	-6.67	65	2.32	9
MILLS OAKLEY	71	57.78	61.36	91	1.28	12
MINTERELLISON***	144	5.88	9.09	415	2.88	49
COOPER GRACE WARD LAWYERS	257	1.98	-1.15	86	0.33	86
KING & WOOD MALLESONS***	21	0	-4.55	74	3.52	10
WHITE & CASE*	189	3.28	3.28	904	4.78	90
HFV*	33	10	37.5	105	3.18	15
JACKSON McDONALD	25	4.17	4.17	52	2.08	2
MCCULLOUGH ROBERTSON	23	-55.77	0	53	2.3	5
SWAAB	56	5.66	5.66	150	2.68	18
PIPER ALDERMAN	18	12.5	20	25	1.39	4
TOTAL	82	-1.2	2.5	156	1.9	18
TOTAL	4104.8	3.7	6.29	13161	3.21	1474

KEY: \*\* Top tier; \* International; (MDP) Multi-disciplinary practice

Source: Eaton Strategy + Search

### 'Any sort of energy expertise is really well regarded'

SHAARON DALTON  
EATON STRATEGY + SEARCH

short-term decline.

"Economic conditions continue to be softer, both in Australia and across each of the global jurisdictions in which we operate," he said. "Persistent high inflation, wage pressures and rising costs are affecting many businesses, with some facing a tougher operating environment than others. This is naturally increasing caution for some of our clients. Strong growth in a number of practice areas and

jurisdictions, however, should more than offset any short-term decline in work in some areas."

Hamilton Locke managing partner Nick Humphrey said the firm, where fee-earner increased by nearly 28 per cent and partners increased by 18.5 per cent, would continue to grow over the coming year.

"We foresee an uptick in all our practice groups with a higher expected growth rate in specific practice areas. In terms of growing practice areas, we forecast an uptick in our finance, litigation, restructuring, financial services, insolvency and workplace practice groups," he said.

"In line with our sector expertise and offerings, we foresee the

largest growth opportunities in our utilities, infrastructure, health, government and new energy offerings."

Mr Humphrey said the firm also expected a shift in the activity of practice groups across varying locations, forecasting "growth in our Brisbane and Perth corporate practices due to their exposure to the mining and agribusiness industries".

Pinsent Masons partner Matthew Croagh said the firm, which had a 40 per cent increase in fee-earners, was looking to expand across the Asia-Pacific region as specific markets continued to grow. "We will look to continue to hire in key focus areas, such as energy, infrastructure, construction,

real estate and corporate, while also adding capability in key disciplines such as employment," he said. "In particular, there is demand for talent at the senior associate and experienced associates level across the projects and corporate areas of our firm."

Addisons CEO Kieran Parker said demand for the firm's resources was "solid" following a 7 per cent lift in fee-earner count, and the practice would continue to hire into the new financial year.

"Addisons will continue to welcome outstanding lawyers," he said. "Our focus is on our corporate M&A, property, and employment and WHS practices in particular, and we are looking for strong candidates in those areas."

# Women on the rise as partnerships keep coming, but there's much to do

ELLIE DUDLEY

Legal firms have experienced a surge in female partners as businesses prioritise policies to catapult women into senior positions, but industry leaders say there is "much work" to be done to increase representation in high places.

The Australian Legal Partnerships Survey has revealed 33 per cent of partners across the country's law firms are women (up 2 per cent on the previous six months), along with 61 per cent of graduates (up 0.1 per cent) and 29 per cent of equity partners (up 2 per cent).

Australian firm Lander & Rogers is the largest practice edging towards gender parity among its senior staff, with women representing 48 per cent of partners with 44 in total.

Chief executive partner Genevieve Collins told The Australian the reason for the firm's high numbers was consistent policy and procedures that made the workplace a welcoming environment for women.

Speaking of the firm's mandatory sexual harassment reporting scheme, mentoring programs and 26 week parental leave policy, Ms Collins said a firm would never achieve gender parity if it just focused on hiring.

"Every organisation is different, but you need to ensure your

culture and leadership structure and governance model is set on achieving gender parity to actually get there," she said. "It's not about one distinctive initiative or policy, it's about looking at everything."

She said it was unsurprising that more women than men were being hired at a graduate level – "there is no doubt that the female lawyers at a graduate level are more mature than the males of the same age" – but said what mattered was what came after that.

Lander & Rogers removed its pay secrecy clause about four years before it was mandated under the Fair Work Act, Ms Collins said, and this had allowed women to discuss their remuneration with their male counterparts and ask her if they felt they were being short-changed.

"We encourage people to discuss their remuneration with their supervisor, and you can pitch for more money in writing or in person," she said.

"By allowing it to be in writing or in person, it gives everyone a chance. We know men tend to be more aggressive, so it is about making sure women ask for what they think they deserve."

Gilchrist Connell has had a rise in female partners, jumping from 39 per cent to 42 per cent, as did Gadens which leapt from 36 per cent to 39 per cent. Meanwhile, Baker McKenzie jumped from 28 per cent to 35 per cent and Cooper

### WHERE WOMEN DO WELL

	Equity partners (female)	Partners (female)	Ratio (%)
GILCHRIST CONNELL	10	3	30
ASHURST***	112	38	33.93
DLA PIPER*	76	22	28.95
BANKI HADDOCK FIORA	7	5	71.43
COLIN BIGGERS & PAISLEY	21	4	19.05
HWLEBSWORTH LAWYERS (MDP) KPMG LAW (N/A)	210	48	22.86
BAKER MCKENZIE*	39	8	20.51
CLAYTON UTZ**	133	33	24.81
RESULTS LEGAL	3	1	33.33
GADENS	31	7	22.58
HOLDING REDLICH	49	14	28.57
HAMILTON LOCKE	49.4	17.4	35.22
RUSSELL KENNEDY LAWYERS	22	7	31.82
ADDISONS	18	6	33.33
ALLENS**	153	58	37.91
MADDOCKS	51	16	31.37
KEYPOINT LAW (N/A)			
JOHNSON WINTER & SLATTERY	64	14	21.88
DENTONS*	37	11	29.73
THOMSON GEER	83	14	16.87
WOTTON + KEARNEY	62	24	38.71
GILBERT + TOBIN**	102	38	37.25
SEYFARTH SHAW AUSTRALIA*	8	2	25
NORTON ROSE FULBRIGHT*	82	19	23.17

KEY: \*\* Top tier; \* International; (MDP) Multi-disciplinary practice; (N/A) Not available

Grace Ward from 40 per cent to 42 per cent. Nearly 43 per cent of partners at top tier firm Ashurst are women. Head of Region Australia, Lea Constantine, attributes

this to strong targets, mentorship programs and an environment where women can thrive.

"Over the past couple of years we have recruited more women

than men," she said. "We have a really good global parental leave policy that's gender-neutral (so) applies to men and women. We focus on leadership capabilities."

Global firm King & Wood Mallesons rose from 32 per cent to 34 per cent following the appointment of three women – Shirley Cheng, Larissa Buriak and Emily

## Snapshots



Our activity levels have been high over the past 12 months and we expect for that to continue for the next six to 12 months

GAVIN VALLELY  
MANAGING PARTNER,  
HFV AUSTRALIA



Like everyone else, we are watching the market closely. There is a softening in deal-flow, but our broad range of clients and work streams allow us to remain well-insulated against market fluctuations

EMMA COVACEVICH  
CHIEF EXECUTIVE PARTNER,  
CLAYTON UTZ



The economic downturn will see opportunities arise in several practice areas

WARREN KALINKO  
CEO, KEYPOINT LAW



The last 12 months is just a little ahead of the prior 12 months, which included a massive boom, so that feels like a natural reversion to long-term trends

SAM NICKLESS  
PARTNER AND CEO,  
GILBERT + TOBIN



Part of the benefit of being a full-service law firm with cross-border relationships is that we are able to pivot to areas of greater demand as economic cycles change

ALISON DEITZ  
CHIEF EXECUTIVE PARTNER,  
NORTON ROSE FULBRIGHT



To date we have not experienced any downturn in instructions. We remain busy and in search for fee earner resources

MARY DIGILIO  
MANAGING PARTNER, SWAAB