

Global Market Update

December 2009

Australia

Banking & Finance

Legal recruitment in the banking and finance sector has picked up in Australia in the last 6 months of the calendar year although levels are at least 50% below those experienced during 2007/08. More recently there has been consistent demand from wealth management organisations and the retail banking sector. The investment banks are still pretty quiet although there has been some activity in recruiting the odd ECM lawyer and those with structured products experience.

There has been little change in salary levels and bonus expectations are minimal.

Commerce & Industry

The continuing improvement in Australian economic conditions in the second half of the year has resulted in an increase in recruitment activity across many industry sectors. The energy, commodities and natural resources sectors never really slowed down too much and companies in these sectors continue to recruit lawyers on a regular basis, particularly in Brisbane and Perth.

Other industry sectors to improve include IT&T and retail. Lawyers at the mid-market level i.e. 4-6 years' post-admission, continue to be those most sought after. Salary levels and bonuses show no real change from 12 months ago.

Law Firms

In Australia, the legal recruitment market in 2009 has been a game of two very distinct halves. Not surprisingly, the mood of the first half was dominated by a crisis of confidence and the ensuing retrenchments of staff as firms tried to come to grips with and prepare themselves for an ongoing gloomy outlook. However, equally swift was the return of confidence and a surprisingly quick increase in activity that coincided (deliberately or not) with the step into the new financial year in July.

Early in July, some of the key transactional teams announced, albeit quietly, that there was an increasing level of confidence being displayed internally and that they felt it was prudent to gently re-enter the market. These firms felt it was an opportune time to introduce themselves to some of the high calibre candidates they predicted would be either immediately available or feeling generally unloved by their current employers.

From a slow start, the pace of recruitment and the diversity of firms recruiting, increased dramatically throughout September, October and November and we have quickly returned to a phase whereby vacancies are again outstripping the supply of good candidates. The final quarter of 2009 has seen a wide variety of corporate, banking, real estate, litigation, insurance and restructuring roles and the first sense that some firms are anxious to recruit and fearful that they may begin losing key staff as the market heats up.

Although its early days, recruitment here seems to be reflecting the general sense portrayed in the media that Australia was cushioned from the full force of the global financial crisis and this is beginning to result in a quick return to business as usual.



Asia

Law Firms

The Asian private practice market is now very buoyant and has made a strong recovery after almost a year and a half of negative growth. Corporate deal activity, particularly corporate financing, has significantly increased and has generated high demand for IPO specialists with Chinese language skills. Mergers and acquisitions, joint ventures and private equity deals have also returned to the market.

Whilst many of the investment banks are busy again, the banking and finance teams in law firms remain fairly stagnant. We expect to see an upturn from these teams shortly and some of the larger international law firms are gearing up in anticipation and are already looking to hire good quality banking and finance lawyers.

As has always been the case following a downturn, there has been an increase in litigation. Law firms have been very interested in specialist areas of litigation so lawyers with financial services, employment, funds and regulatory litigation experience have been very much in demand. Some firms have been opportunistically hiring at the senior level to either establish or strengthen a valuable litigation capability.

In summary, the short to medium term outlook is very positive for Asia and the general feeling is that the market as a whole is improving steadily. We are not at the point where we have international lawyers (with no Chinese language skills) coming in to the market but we expect this to start happening again in 2010.



In-House

2009 has ended with a healthy amount of activity in relation to hiring from both the financial and corporate sectors. Generally, while the investment banks have endured tough times in the past 18 months, activity has been picking up in the areas of derivatives, funds/private equity, wealth management, equity capital markets and general corporate/commercial with the result of legal teams expanding to cover the extra business activity.

Private banking in Asian centres - predominately Hong Kong and Singapore is a growth industry and as a result, new hires are being made within legal and compliance teams. Compliance and risk professionals are in high demand across the board as financial services institutions seek to shore up their departments dealing with internal policies and risk management. Other trends we have noted is the rise of opportunities within the banks and major corporates for employment lawyers - as large organisations have gone through restructuring and rolling out of global policies in relation to employment contracts and changes to how benefits are structured, having an internal employment specialist has become more important. These lawyers are sometimes attached to the HR departments rather than legal team.

Corporates have remained steady in Asia - with fewer redundancies than expected and generally we are hearing cautious growth expected in the 2010 from industries such as IT and infrastructure.

Moscow



The Russian economy has been badly affected by the global financial crisis forcing all the international firms to make redundancies in 2009. The collapse in oil prices, lack of credit and flight to safety by international investors meant that deal flows dried up abruptly at the beginning of the year leaving firms little choice but to restructure their transactional departments significantly. However, many of these same international firms are now reporting an uptick in work and are increasingly bullish about the prospects for 2010 predicting a large influx of work as investors come off the fence and increase their appetite for risk. This has no doubt been supported by the steady rise in oil prices which is so pivotal to the health of the Russian economy.

In terms of recruitment in 2010, firms are likely to be more circumspect and focused on value for money than they have been in the past, which may translate into fewer and less generous expatriate packages with firms choosing to bring in foreign law support from their UK or US offices as required. However, so much depends on how quickly and how far the market comes back; if the market suddenly takes off, a number of firms will have to hire quickly and in numbers given the severity of the cuts they made this year, meaning a possible return to the candidate-driven market that existed prior to the financial crisis. Ultimately, so much depends on the price of oil and the recovery of the rest of the global economy.

Offshore

Being very international in nature, the offshore markets, particularly in the Caribbean, have been hit hard by the global recession. For the first time in their history there has been little or no recruitment in corporate, banking or funds for over 12 months. The islands were not helped by the political witch hunt led by the US government to find those responsible for causing/contributing to the global meltdown. Offshore countries have spent much of the year ironing out transparency agreements with their onshore counterparts. In August both Cayman and the British Virgin Islands entered into Tax Information Exchange Agreements with New Zealand. The agreement saw them both elevated to the white list of the OECD, showing they endorse transparency of an internationally agreed standard.

As 2010 dawns the picture of how well firms are doing is mixed. The spectre of further redundancies has hopefully now gone. Whilst many firms in Cayman, BVI and Bermuda feel they are 6 months behind everyone else, the Channel Islands firms have started to recruit again for transactional lawyers, albeit tentatively. Litigation has continued to do well over the last 12 months and all recruitment has really focused on this area whether it is general commercial or insolvency litigation. As we slowly emerge from the recession, firms will start to think about recruiting again. It can often take up to 6 months to hire someone, especially where a work permit is required and firms believe that hiring will begin again shortly. Indeed they are already interested again in hiring "exceptional" candidates.

The Middle East

The markets in the Middle East have started to turn for the better (despite recent Dubai events) and relatively strong growth is likely across the region in 2010. Firms have already started to make strategic hires and hopefully, with the global markets improving and workflow increasing in Q1 of 2010, then we are likely to see more firms and companies coming to market.

Currently the demand is predominantly for lawyers with Middle East experience and currently there is a reasonable pool of talent to choose from. However, a decent increase in work levels will mean that not every firm or company will be able to get strong enough candidates from the region and will have to start to look overseas again.

The in-house market continues to grow in the Middle East as more companies relocate to the region or grow their operations in order to benefit from advantageous office rental conditions. The Middle East is one region which will see positive relocation of companies taking safe haven from increased tax and regulatory regimes in Europe particularly.



London

Law Firms- Assistant Level

2009 will be remembered as something of an annus horribilis as far as fee-earner recruitment is concerned. The majority of City law firms put a hold on recruitment whilst they undertook redundancy consultations and only hired in exceptional circumstances. They also made efforts to utilise their transactional lawyers to fulfil their corporate recovery and insolvency needs.

However, the last quarter of the year has seen a significant pick up in activity and all the signs are pointing towards a much busier 2010. What began in September with a handful of Silver Circle/medium-sized firms launching mandates to hire in corporate, banking and capital markets has now gained real momentum: the Magic Circle firms have vacancies for the first time in a year. In terms of practice areas, firms are recruiting in all the main transactional areas (with the notable exception of real estate) as well as litigation and the niche technical areas like IP, IT, tax and regulatory.

It has to be said that the junior end of the market (NQ-2) remains extremely quiet and that the majority of opportunities require candidates to have at least 3 years of post-qualification experience. But taken as a whole, the market is at its most buoyant for 18 months. Cautious optimism is the flavour of the moment.

Law Firms - Partner Level

The partner market has remained active throughout 2009 although law firms have become much fussier and the need for decent followings has become a must rather than a 'would be nice'. Particular areas of interest at the beginning of the year were in litigation/arbitration, white collar crime, restructuring and funds. The second half of the year has seen a major increase in demand for transactional work - corporate/private equity/ECM as well as banking, IP/IT and projects partners. Generally followings are looked at very carefully and in many cases clients spoken to before an offer goes unconditional.



Banks

After what has been arguably the worst period ever for the banking industry, things do appear to be picking up. In terms of the volume of legal positions within the banks, this has improved dramatically over the last 2-3 months. Compliance also appears to be particularly buoyant which is perhaps not surprising as banks face more pressure than ever to tighten regulatory control. Whilst the focus of many bank's work appears to be around re-structuring work, derivatives roles once again are extremely prominent, only this time it is within the area of commodities where most hiring activity is taking place as opposed to credit derivatives which formed the basis for most legal recruitment within the banks over the last few years.

Remuneration structure within the banks has been the talk of the town of late and whilst it is still too early to see the results of this talk, many banks have been quick to alter the basis upon which their staff are paid. As such, we have seen some banks place a much bigger emphasis on base salaries as opposed to bonuses, resulting in much bigger base salaries for many lawyers.

Commerce and Industry

The in-house commerce and industry market has fared relatively well compared with the in-house banking and private practice markets, which have both experienced wide-spread re-structuring and redundancies over the past 12 months. Clearly some sectors have performed better than others. Industries such as property, retail and construction have, for obvious reasons, suffered quite severely whilst areas such as FMCG, IT/outourcing, new media, pharmaceuticals and energy have remained relatively unscathed as companies look to address consumer spending habits which have shifted away from luxury and casual spend to necessary and lower-cost expenditure.

Salaries have largely remained the same with a large majority of organisations imposing salary freezes, hiring freezes and limiting bonuses. Whilst the steps taken to minimise cost have not been as severe as those imposed by many law firms (i.e. reduced working weeks, pay cuts or impromptu sabbaticals), nevertheless a large proportion of companies have imposed hiring freezes or made inflation-driven increases to salary.

The interim market has also enjoyed a strong upturn as increasing numbers of companies have opted to explore the interim legal market, being attracted to the 'try before you buy' option of taking a lawyer on a fixed-term contract and circumventing headcount issues through implementing interim measures. This is particularly pertinent given the readily available pool of talent that hasn't previously been seen on the interim market. In particular, the banking market has seen strong activity around the temp and interim market, coupled with secondees from the law firms.



Europe In-House

Legal recruitment in continental Europe has, in some countries, been fairly buoyant. This is particularly true for Switzerland where the commerce and industry market has produced strong levels of activity within the area of legal recruitment. Pharmaceuticals and FMCG have been the two sectors that have stood out the most and as more and more corporates move their headquarters to Switzerland, it is anticipated that these levels of activity will continue to grow. The banking sector, particularly private wealth and hedge funds also shows strong signs of growth in Switzerland as the UK becomes a more and more unattractive location for these types of company. Other key countries such as Spain, Germany and France have witnessed similar slow downs to the UK so legal recruitment has been fairly static within these countries, particularly so for the multinationals.