



LPE Quarterly Pulse Survey

Q3 2020

PULSE REPORT FINDINGS
LEGAL PROFESSIONALS EUROPE

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Introduction

This report presents findings from survey work undertaken in September 2020 and followed on from an earlier survey conducted in May and June.

The survey aimed to find out more about the three and six month outlook in the current climate across different segments, views on how demands for legal services may change and what the responses to these changes may be.

Summary

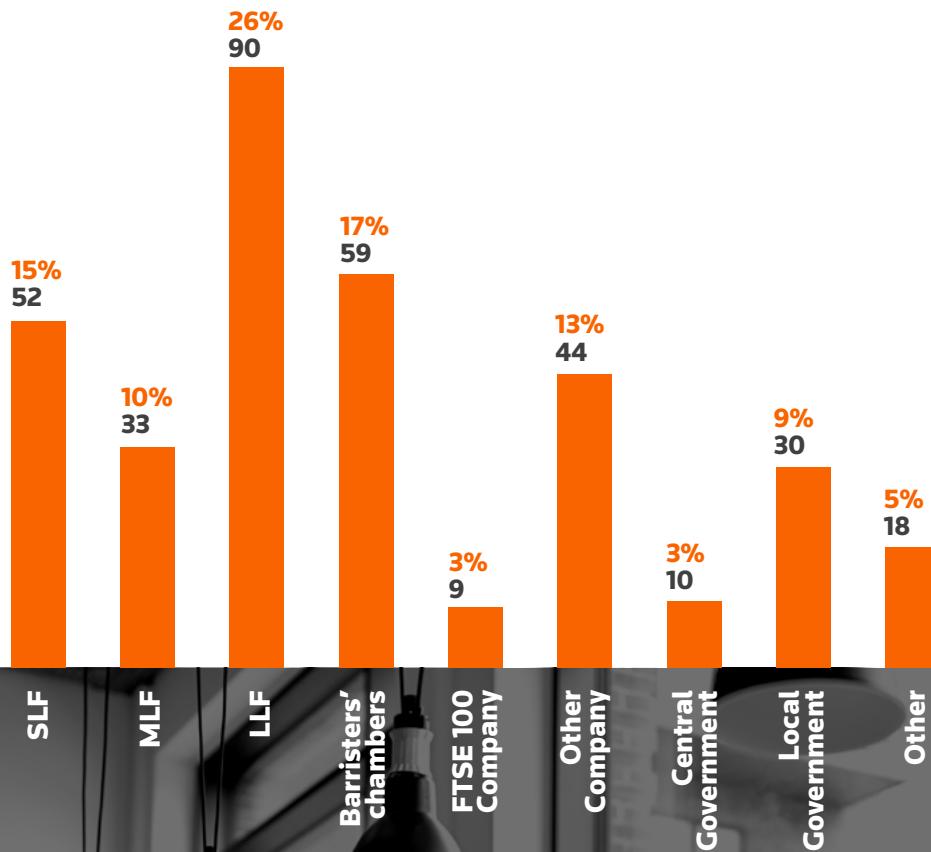
Expectations are more optimistic for both three- and six-month outlooks, since the pulse check survey in June, with fewer respondents (around half in percentage terms) expecting to see a decline for their services.

Law firms and Barristers have seen the biggest changes in outlook than previously and are more optimistic; with the practice areas of Employment (from mid-market, large corporations and government clients for large law firms (LLF)), litigation/dispute resolution (across all client bases except consumer for LLF and medium law firms (MLF)) and private (consumer clients across all segments) driving this demand. LLF can also expect to see an uptick in demand for their services as government and corporate clients look to outsource in order to deal with increased demands on their internal departments. Small law firms (SLF) are more cautious in their estimations about demand changes, with their six month view remaining similar to the Q2 outlook.

Approaches to the anticipated increase in demand are similar across segments with variations on the theme of creating more people-resource by working harder, utilising existing capacity, or recruiting resource. Expectations around technology options are more measured, but it is still one of the key responses cited as a solution to resourcing challenges.

Respondent detail

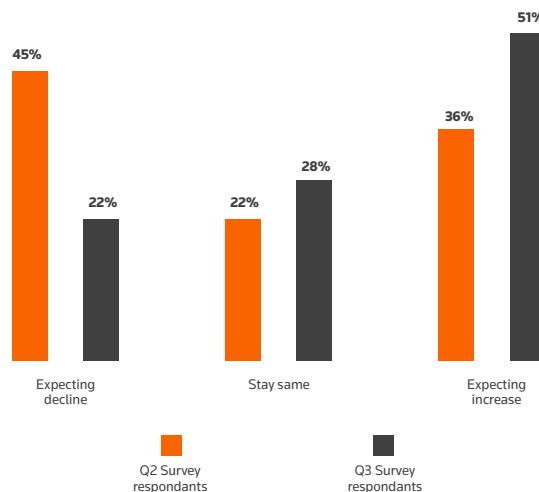
Figure 1: Responses by firm type
(percent and number)



Expectations over next three and six months

Outlook for next three months

Figure 2: Expected three months change by percent of respondents Q3 versus Q2



Respondents have become more positive in their expectations around the demand for their services with a 23 percentage points fall in those expecting a decline in demand over the next three months (from 45 percent to 22 percent), while the percentage of those expecting a rise in the demand for their services over the next three months has increased to 51 percent.

Figure 3: Expected three months change in demand by segment (percent)

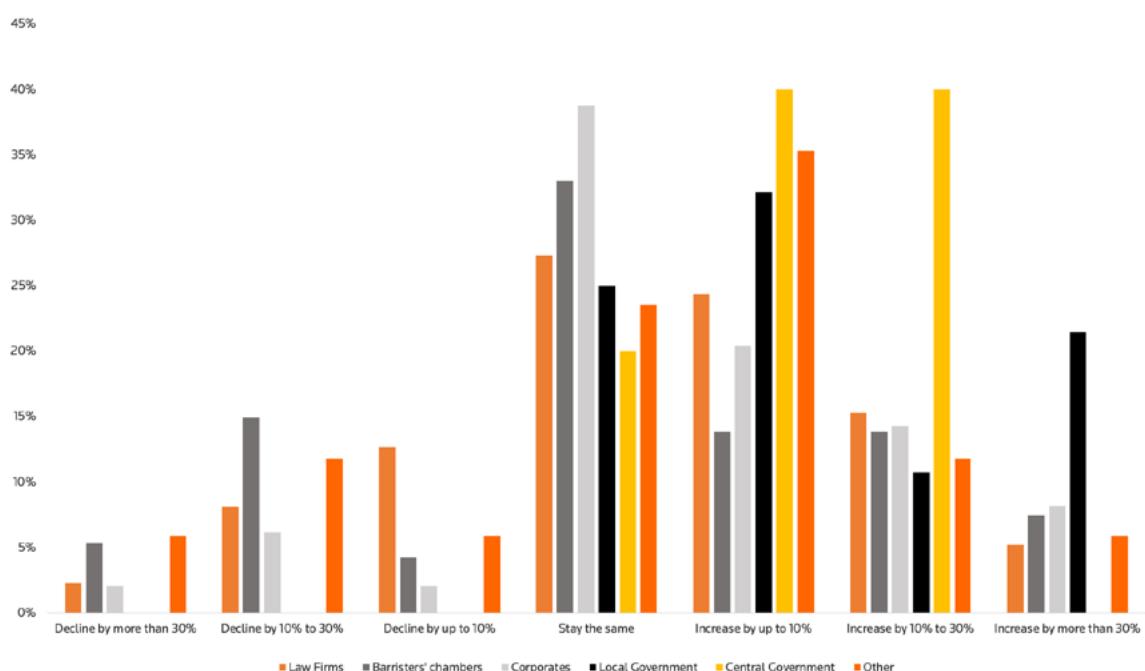


Table 1: Expected three months change in demand by segment (number and percent)¹

	Decline by more than 30%	Decline by 10% to 30%	Decline by up to 10%	Stay the same	Increase by up to 10%	Increase by 10% to 30%	Increase by more than 30%	Don't know /Prefer not to say	# of respondents
Law Firms	4 2%	14 8%	22 13%	48 27%	43 24%	27 15%	9 5%	9 5%	175
	3 5%	9 15%	3 4%	19 33%	8 14%	8 14%	4 7%	4 7%	
Barristers' chambers	1 2%	3 6%	1 2%	19 39%	10 20%	7 14%	4 8%	4 8%	59
	0 0%	0 0%	0 0%	7 25%	9 32%	3 11%	6 21%	3 11%	
Corporates	1 2%	3 6%	1 2%	19 39%	10 20%	7 14%	4 8%	4 8%	49
	0 0%	0 0%	0 0%	2 25%	4 32%	0 11%	0 21%	0 11%	
Local Government	0 0%	0 0%	0 0%	2 25%	4 32%	0 11%	0 21%	0 11%	28
	0 0%	0 0%	0 0%	2 20%	4 40%	0 40%	0 0%	0 0%	
Central Government	1 6%	2 12%	1 6%	4 24%	6 35%	2 12%	1 6%	0 0%	10
	0 0%	0 0%	0 0%	2 20%	4 40%	0 40%	0 0%	0 0%	
Other	1 6%	2 12%	1 6%	4 24%	6 35%	2 12%	1 6%	0 0%	17
	9 Total	28 DECREASE	27 19%	99 INCREASE	80 46%	51 24	24 20	20 338	

In June, 40 percent of respondents expected some level of decline. Although all segments are now more optimistic, the biggest shift in outlook is among law firm respondents (moving from 54 percent to 23 percent of those who expect a decline) and barristers (moving from 57 percent to 24 percent).

Amongst LLF, "Increase by up to 10 percent" has seen biggest uplift across all segments with the exception of demand from Government clients—where there has been a bigger increase in demand uplift of more than 30 percent. Government respondents in the survey correspond by indicating that they expect to see an increase in demand for their internal services and intend to manage some of this work by outsourcing to law firms.

In terms of the impact at practice level, this varies by the clients served:

- Consumer increases are expected to impact on family and private client practice areas
- Small business increases are expected to impact commercial property (previously expected to see decreases) and litigation/dispute resolution
- Mid-market increases are expected to impact employment (previous decrease) and litigation
- Large corporations' increases are expected to impact litigation and employment
- Government increases expected in employment litigation, and banking and finance

MLF have seen a higher percentage of respondents expecting demand to increase with increases in both "to 10 percent" and "10-30 percent" showing the biggest uplift across all segments.

- Consumer increases are expected to impact residential property and private client and employment
- Small business increases are expected to impact commercial property and commercial transactions
- Mid-market increases are expected to impact residential property and litigation/dispute resolution

SLF follow the trend with an increase in respondents expecting demand to increase, but expectations are slightly more cautious with a higher increase in the 'stay the same' category.

- Consumer increases are expected to impact private client, litigation and employment
- Small business increases are expected to impact private client, litigation and employment
- Mid-market increases are expected to impact litigation

In the Thomson Reuters October survey, small and medium law firm respondents noted that some practice areas have seen an increase in demand which has offset reduction in work elsewhere and opportunities have opened up.

Barristers are also more optimistic about the demand for their services than in Q2, where respondents expected a decrease in demand for services of 56 percent and increases for 16 percent of respondents.

- Consumer increases are expected to impact crime, family and employment
- Small business increases are expected to impact commercial and residential property
- Government increases are expected to impact commercial and housing

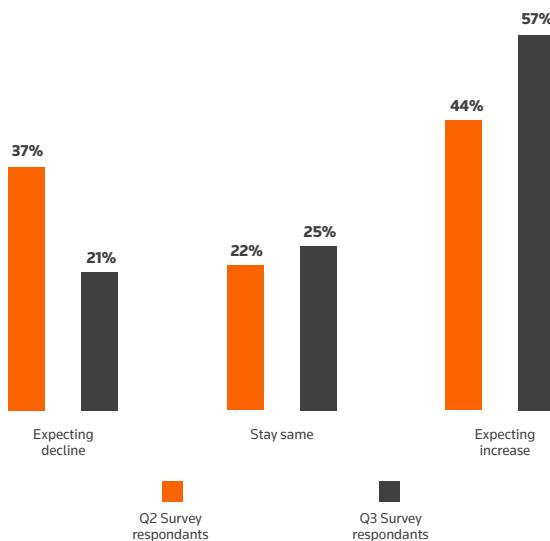
¹ An average has been applied for law firms and barristers' chambers.

Corporates continue to be optimistic about their expectations for workload with the majority of respondents continuing to expect an increase in workload; 10 percent expect a fall in workload. A bigger percentage of respondents (up from 33 percent) expect the three- and six-month outlook to stay the same versus Q2 (up from 21 percent), with a small reduction in those who expect a decline. Practice area demand for the following practice areas are expected to drive the increase; employment, litigation/dispute resolution and private client, while demand is expected to decline for commercial property.

In the public sector, there has been an increase in the percentage of respondents expecting to see an increase in demand for their team's work since the Q2 survey, with central government in particular expecting a rise in demand for its services since the last survey. For local government, democracy, licensing and procurement are areas where a decrease in demand is anticipated. Central government respondents expect increases in policy and legislation roles.

Outlook for next six months

Figure 4: Expected six-month change Q3 versus Q2 overall



Respondents continue to be more positive in their six-month outlook with 57 percent (versus 44 percent in Q2) expecting a rise in the demand for their services.

Figure 5: Expected six-month change in demand by segment (percent)

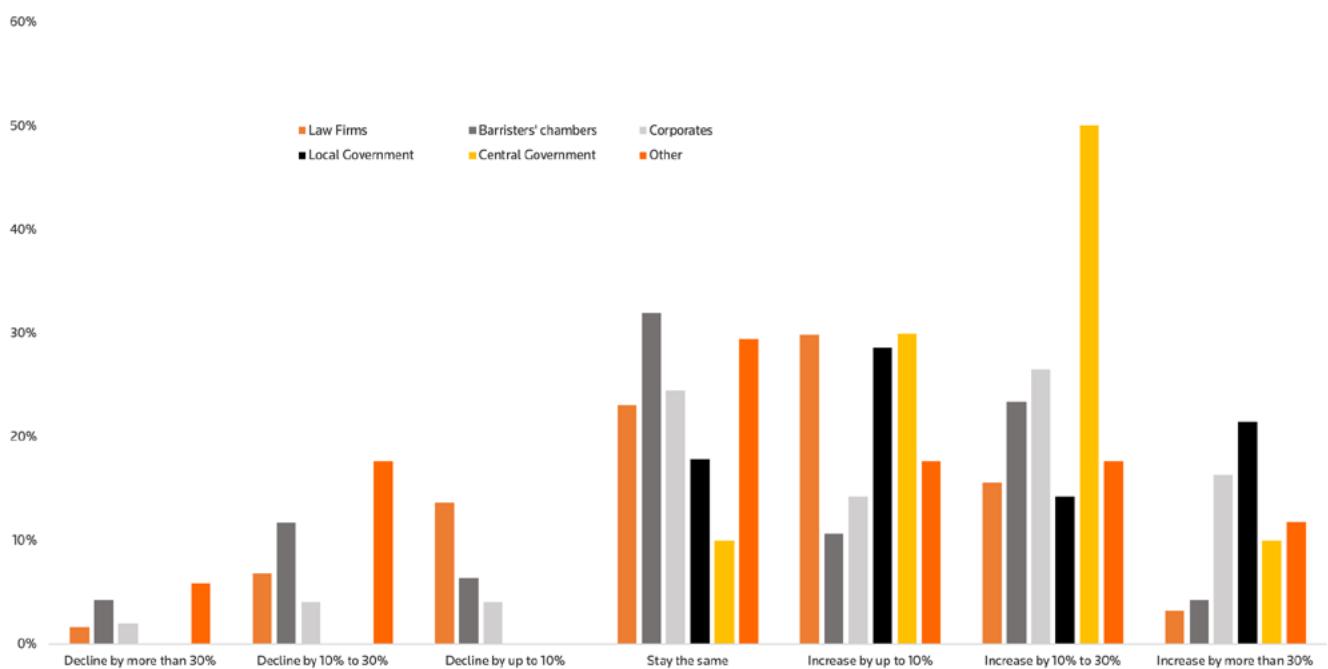


Table 2: Expected six-month change in demand by segment (number and percent)²

	Decline by more than 30%	Decline by 10% to 30%	Decline by up to 10%	Stay the same	Increase by up to 10%	Increase by 10% to 30%	Increase by more than 30%	Don't know /Prefer not to say	# of respondents
Law Firms	3 2%	12 7%	24 14%	40 23%	52 30%	27 16%	6 3%	11 6%	175
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Local Government	0 0%	0 0%	0 0%	1 10%	3 30%	5 50%	1 10%	0 0%	10
	1 6%	3 18%	0 0%	5 29%	3 18%	3 18%	2 12%	0 0%	17
Total	7	24	30	82	80	66	25	24	338
	2%	7%	9%	24%	24%	20%	7%	7%	
	DECREASE				INCREASE				
	18%				51%				

Impact at Practice Area level

Table 3: Top five practice areas where an increase or decrease is expected³.

	TOP 5 PRACTICE AREAS EXPECTED TO INCREASE		PRACTICE AREAS EXPECTED TO DECREASE
	Employment		Commercial Property
	Litigation/Dispute Resolution		Projects
	Private Client		Risk
	Family		Intellectual Property
	Residential Property		Public Law

Some practice areas have seen an increase in volume of work due to government initiatives—such as stamp duty holidays, which are due to end, or are impacted by the need to keep up to speed with government guidance and employment queries resulting from the pandemic.

² An average has been applied across law firms and barristers' chambers.

³ According to our survey respondents.

Expected responses

Figure 6: Anticipated responses to an increase in demand (percent)

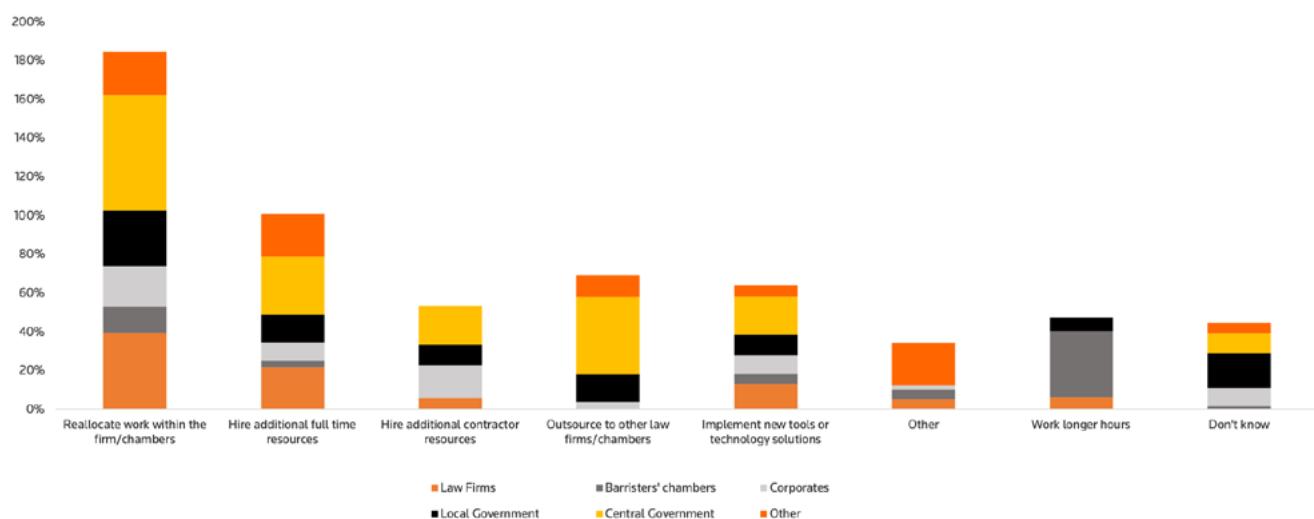


Table 4: Top three strategies to deal with increase in demand by segment

Law Firms	Barristers	Corporations	Public Sector
1. Reallocate work	1. Work longer hours	1. Outsource to law firms	1. Reallocate work
2. Hire additional FTE	2. Reallocate work	2. Reallocate work	2. Outsource to law firms
3. Hire additional contractor resource	3. Implement new tools/technology solutions	3. Hire additional contractor resource	3. Hire additional FTE

Some approaches to dealing with increasing demand are similar across segments, and are about creating additional people resource. Technology solutions are considered, but alongside other people based solutions. One respondent indicated that remote working was freeing up time to absorb more work.

The category 'Other' includes some form of absorbing the work either within existing capacity or by working harder. One respondent referred to time savings from remote working technology which allowed them to absorb additional work.

Among corporates and the public sector, increases are expected to be managed by reallocation of workloads or out-sourcing, which is in line with law firm expectations.

Remote conferencing and court hearings automatically means saving time travelling which frees up more time for preparation, research and written work.

– Barrister

There is capacity within the existing team to absorb the increase in work.

– Law Firm respondent

The expected increase merely reflects a degree of resumption of normal activity

– Barrister

Work harder!

– Law Firm respondent

Figure 7: Anticipated responses to a decrease in demand (percent)

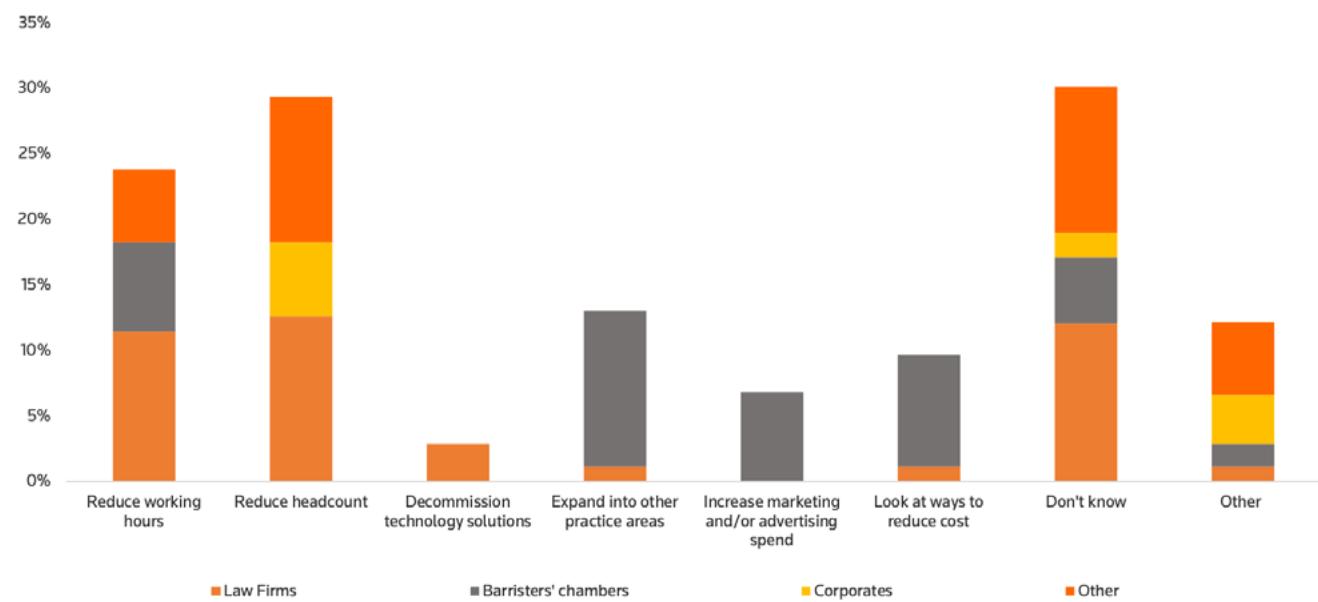




Table 5: Top three strategies to deal with decrease in demand by segment

Law Firms	Barristers	Corporations	Public Sector
1. Reduce working hours 2. Reduce headcount 3. Defer technology solution purchases	1. Expand into other practice areas 2. Cost reductions 3. Reduce working hours Increase marketing / advertising spend	1. Reduce headcount 2. Use in-house lawyers	N/A

LLF are most likely to defer technology solution purchases in response to demand decreases. Respondents also indicated that recruitment freezes and cost reductions may be an option. Barristers are willing to consider moving into other practice areas and look at cost reduction.

The category 'Other' includes freeze on recruitment and natural attrition.

Conclusion

Despite the impact of COVID-19, lawyers were more optimistic going into the end of 2020 compared with during the summer. Some practice areas, which were initially adversely impacted, have benefited from government initiatives leading to an increase in volume of work. Issues arising from the pandemic have led to increases elsewhere. Firms may look to hire additional people to meet this demand and among corporates and the public sector, increases may be managed by out-sourcing to law firms. Technology solutions also play a role in helping firms flex to meet increased demand.

Some practice areas are still expected to see a drop in volume of work, leading to a requirement to consider cost control. Some firms will be able reallocate work to staff, allowing them to manage costs. For others, cost management or reduction strategies may need to be considered. However, this survey reported that the number of respondents expecting a fall in demand is in the minority and overall—the story is one of cautious optimism for 2021.

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