

Laid Off Lawyers Often Subjected to Spin Cycle

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Large law firms are experiencing a slowdown amid the souring economy, and they are sending their associates packing – some openly, others quietly.

The quiet approach is deemed necessary because firms don't want clients to hear news of layoffs and think they're on shaky financial ground. They also don't want to discourage attorneys who want to join the firms, whether first-year associates or those bringing their practices and business with them.

But the Internet is making it increasingly difficult for firms to keep layoffs under wraps.

Some firms are continuing to conduct "stealth" layoffs, the traditional manner in which firm partners quietly tell attorneys and staff that they are being let go. Others, however, are publicly announcing their layoffs in order to maintain spin control.

"Some firms believe there is wisdom to announcing their reduction in force," said Peter Ocko, managing director of the partner practice group in the L.A. office of Major Lindsey & Africa LLC. "They feel as though they then put themselves in a position to control the spin, as opposed to being the subject of hints and allegations when people disappear from Web sites and everybody wonders what happened."

In late November, Loeb & Loeb LLP let go of eight associates in the firm's New York and L.A. offices. Earlier that month, O'Melveny & Myers LLP let go of five associates in the firm's L.A. office.

In both instances, the L.A.-based firms did not announce the layoffs, but news about them appeared on legal industry Web sites, including closely watched blog AbovetheLaw.com.

After news of the layoffs, Loeb & Loeb issued a statement to the Business Journal stating that the associate departures were a result of routine performance evaluations. Ditto for O'Melveny.

"A very small number of associates receiving less than satisfactory performance reviews were given notice, but this is no different from previous years," according to a statement the O'Melveny firm provided to the Business Journal.

To avoid leaks like those experienced by Loeb and O'Melveny, some firms have been transparent about their layoffs.

Since May, Sonnenschein Nath & Rosenthal LLP has let go of at least 62 attorneys and 75 staff members, including six attorneys and 11 staff members in Los Angeles. The layoffs were announced in two waves – one in May and one in October – and the Chicago firm wasn't shy about making the two announcements.

Tough times

Reports of law firms laying off attorneys began to surface at the beginning of the year. Since then, at least 43 firms across the United States, including Wall Street powerhouses Cadwalader Wickersham & Taft LLP and Clifford Chance LLP, have cut their attorney and support-staff head count.

In Los Angeles, the wave of layoffs has come later than in other large cities. New York bore the brunt of the first wave of the financial meltdown. But legal insiders said they expect more L.A. layoffs as the down economy increasingly cuts into firms' bottom lines.

"The truth is that most of the national firms are laying off associates quietly. It has been going on for some time, and it is going to continue and increase," said Delia Swan, founder of Swan Legal Search.

Claudia Trevisan, a partner at Swan, said associate resumes are flooding in as attorneys are being laid off or are searching for new jobs in anticipation of being laid off.

"We have a lot more candidates than we have positions to offer," Trevisan said.

Unlike public corporations, which can benefit from telling shareholders about layoffs, law firms often shy away from public announcements because law students, associates and lateral partners are likely to not seek employment at a firm that is laying off.

"Firms are reluctant to be forthcoming about large or small layoffs because they want to protect their reputation," Trevisan said. "Firms are still recruiting first-year associates. And once that information gets out there, firms perceive that they will have a hard time recruiting quality candidates."

In a statement provided to the Business Journal, Loeb & Loeb said the firm let go of eight associates after a "periodic attorney evaluation process and assessment of its overall personnel needs in its various practice areas." Firm partners declined to comment beyond the statement.

But some firm partners see the benefits of going public, and openly discuss their attorney and staff departures.

Darry Sragow, managing partner of Sonnenschein's L.A. office, said partners were public about the layoffs in an effort to quash any rumors about the firm's financial health.

"Obviously, the risk you run is that when word gets out that some people are being asked to leave the firm, the speculation on the street begins immediately," Sragow said. "The firm's view is that if you are open and forthright about it, the buzz and speculation can be minimized."

Transparency also helps the attorneys who have been let go with their new job search because potential employers don't have negative perceptions about their abilities, said Ocko of Major Lindsey.

"Public layoffs are easier to explain when an attorney is beginning his or her job search, as opposed to any other termination or request for departure where it is extremely difficult to explain."