

Whether you are a boutique law firm, a regional specialist, or in the Top 100 - there is huge comparability in the challenges faced by law firms this coming year >>>

Every year we speak to over 4,000 Law Firms in the UK about the challenges and opportunities they are currently facing as well as their thoughts and predictions for the future.

Not only does this allow us to understand any pain points in their general hiring strategies (and how we can support and provide a streamlined service) it also allows us to better understand the market and how legal businesses view the future of the sector in the current socio-economic climate.

Market Overview

The last couple of years have undoubtedly created challenges and difficulties beyond measure for many sectors and businesses in the UK - law included.

And whilst the problematic and uncertain times created by the COVID-19 pandemic are slowly starting to feel like a thing of the past, the UK enters 2023 against a backdrop of continued economic uncertainty, a cost of living crisis and political instability.

On top of this, businesses battle skills shortages and a shrinking workforce, meaning that vacancies remain unfilled and incumbent teams are smaller - putting pressure on service levels, productivity, and ultimately profitability.

It certainly seems that the choppy waters we've seen in the last few years are here to stay, albeit with significant differences and challenges.

So what challenges did the law firms we spoke to highlight as an ongoing concern this coming year?





Labour Market Spotlight

The notion of 'the Great Resignation' hit the headlines with vigour in 2022 - otherwise known as 'The Great Quit' or 'The Great Reshuffle' in which employees voluntarily leave their roles en masse.

This sustained mass exodus was predicted following the COVID-19 pandemic when people generally started to reassess their employment including general working conditions, location, and impact on their lives. The bottle-neck in any planned resignations due to lockdown PLUS a rise in individuals who sought a better work life balance resulted in a swell of people looking to pastures new in a market that was rich with increased opportunities.

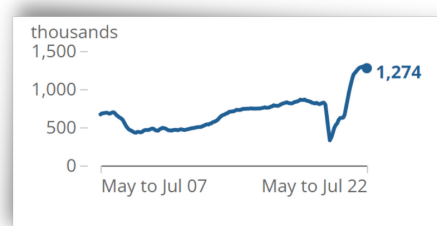
Professor Ranjay Gulati actually took this one step further in an [article for Harvard Business Review](#) in Spring 2022 when he proposed that the notion should be positioned more so as 'The Great Rethink'. Gulati states that individuals are looking for purpose-driven work and are increasingly sceptical about employers that aren't a fit with their closely held values. The lure of a big pay cheque, guaranteed bonuses, and simply working for a prestigious, profitable company isn't what it used to be - rather, individuals are looking for the impact their employer has on the community around them, sustainability in their processes and working practices, and general responsibility for their own customer base.

Whatever the term or name, the statistics [published by the ONS in May 2022](#) highlighted that 'job-to-job' moves certainly did reach record highs, driven by voluntary resignations rather than dismissals. Although notably, redundancies have [increased marginally in the last quarter](#) of the year (0.9 people per thousand), albeit still below pre-pandemic rates.

2022 therefore presented the challenge of staff retention to UK businesses as employees and top talent reassessed their options and actively sought out new opportunities. This perfect storm was also characterised by a record-level of vacancies - at least until the summer months when the growth trajectory started to slow down as we entered the second half of the year.

The number of job vacancies in September to November 2022 actually fell compared to the previous period, (although were still tracking at above pre-pandemic levels), with firms citing an anticipated recession and economic pressures as a factor in putting the breaks on recruitment activity. But what does this mean as we look ahead to the coming year?

JOB VACANCIES (UK)



[Source: ONS]

Is the Great Resignation Losing Momentum?

According to an article late last year in the [World Economic Forum](#), this mass exodus and sharp increase in resignations certainly showed signs of slowing down from September onwards - albeit from a US perspective. The decline appears to continue on a downwards trajectory however once again, the volume is still greater than pre-pandemic levels when it was already breaking records.

Is the UK also witnessing a similar trend in vacancies and resignations as our friends across the pond?

It may be still too early to tell as year-end statistics and reports are yet to be finalised, although [research by employee benefits provider Unum UK](#) has revealed nearly a fifth of the UK workforce (19%) are still planning to look for a new opportunity this year - driven this time by the cost of living crisis as they now look for higher salaries and/or better employee benefits. A further 16% are anticipated to look for a second job.

The research also highlights other concerns of employees as they enter the new year:

- Dealing with debt/mortgage interest rate rises (33%)
- Mental health concerns (29%)
- General health concerns (27%)
- Threat of war against the backdrop of the events in Ukraine (27%)



It certainly seems the case therefore that retaining top talent will be an ongoing challenge for businesses in 2023 - even if the catalyst for people moving on has shifted slightly.

That being said, the theme of rebalancing work and home life is anticipated to continue in the coming year as individuals focus on mental health wellbeing and a considered move away from previous pressure-cooker environments (a topic that was touched upon once again in recent YouGov research that highlighted [one in four lawyers suffers daily stress](#)).

Another term that was coined mid-2022 via a video on TikTok was 'quiet quitting' - where, rather than an employee actually leaving their role, they 'mentally check out' or consciously reduce the amount of effort devoted to the job. The topic of quiet quitting soon went viral, with commentary across the globe including The Wall Street Journal, Bloomberg and several international talk shows. And, whilst the notion undoubtedly raised concerns for employers in understanding how to manage individuals who fell into this category (or indeed understand the reasons why by looking introspectively) Google searches for the term have dropped significantly in recent months.

That being said, [many commentators](#) maintain that this is not simply the case of a 'here today, gone tomorrow viral trend'. Rather, the ethos behind it remains, with individuals who aren't prepared to sacrifice their health, family or communities for work as an acceptable trade-off.



Over 50% of firms that responded to our 'Challenges and Opportunities Survey' said that 'staffing issues' in general was an ongoing concern with many citing recruitment of new hires AND retention of existing as a specific challenge. Other firms added that requests around hybrid working patterns as well as staff engagement also added to the strains put on their businesses.

The statistics are largely the same as the previous year when Firms were still in the midst of the COVID-19 pandemic, and a deeper dive into the 2020/21 responses shows that skills shortages in the sector and the ability to grow through hiring was a stated concern.

So why have businesses not been able to move on from this sentiment over 12 months later?

And what strategies are they implementing to face these challenges head on?

Anticipated Challenges in 2023

A continual conversation that we have with hiring managers, HR professionals, and those responsible for talent acquisition in law firms is around the general business and hiring challenges that they are facing currently, as well as anticipated concerns looking ahead.

Staff attrition and retention (and subsequent need for hiring) is part of that, but given the tumultuous past 24 months, it is interesting to see that there is still some concern about the ongoing, and perhaps long-tail impact of COVID on the sector.

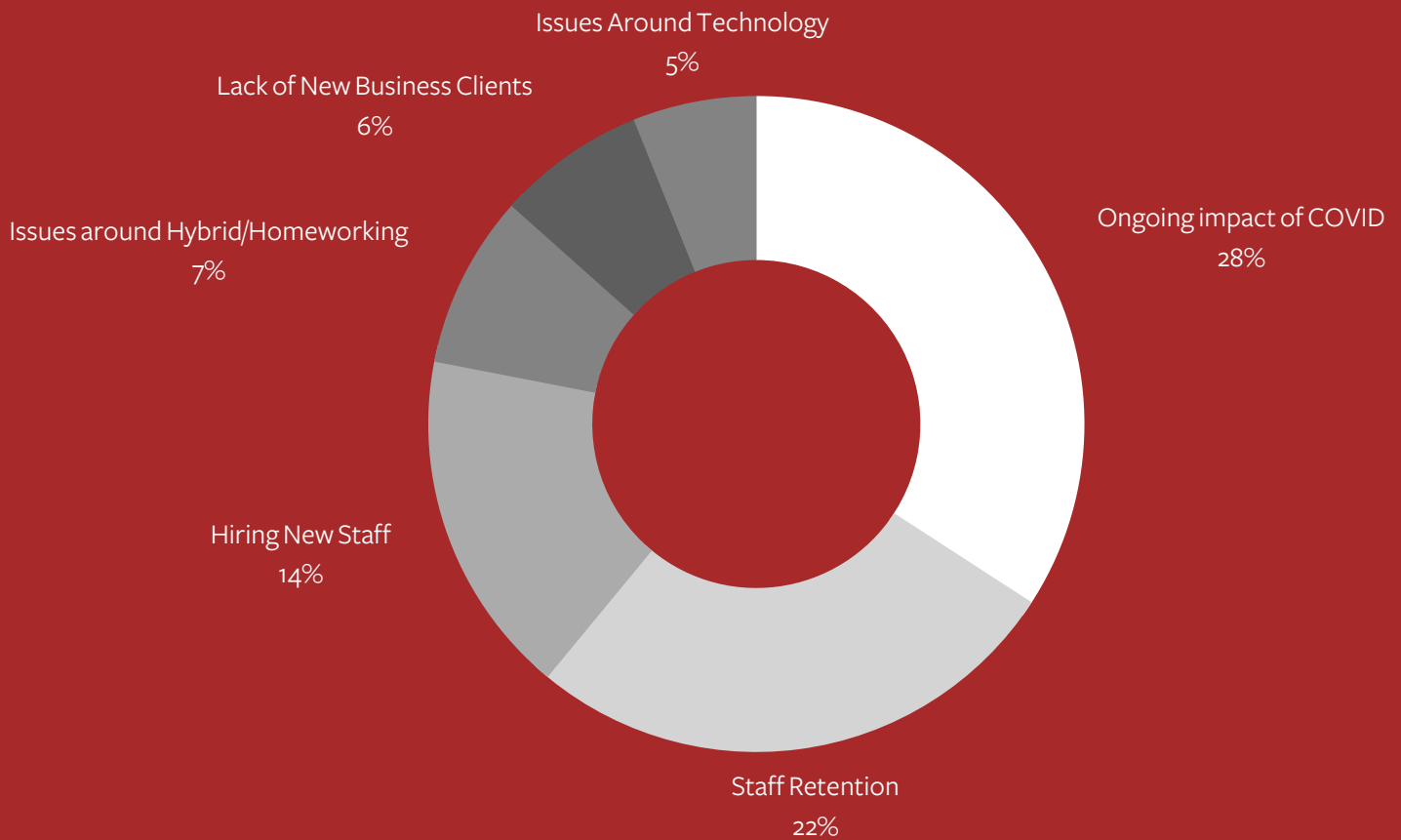
Further insight indicates that a lot of this sentiment is around the permanency of hybrid, remote, and flexible working patterns which continue to dominate the headlines - from how to go about analysing the 'lived experience' of hybrid from 2020 onwards, to the challenges around collaboration and parity when it comes to staff development and promotions.

Research from [WM Reply and Ipsos Mori](#) state there are now three pillars to hybrid working that firms should consider in order to make it work for them:

- **People**
 - Business leaders need to clearly communicate the benefits of returning to the office, even on a hybrid basis. Better synergy, working relationships, and collaboration are all well and good, but not at the expense of lengthy commutes and perceived burnout. This 'worth it' equation is real, and already impacting legal professionals' decisions around searching out new opportunities that better fit their requirements.
- **Platforms**
 - The pandemic undoubtedly influenced the rapid roll out of technology in the legal sector that allowed firms to continue operationally with a disparate workforce. Two years on however, analysis many need to be conducted to sense check that they are working as intended, and firms are getting the most out of their investments. The research by Ipsos states that businesses should now seek to 'reduce operational complexity and give staff an integrated solution' that seeks to address the aforementioned challenges with impaired collaboration and inconsistent processes.
- **Places**
 - The 'office' as we once knew it has changed as a concept, and businesses who want to thrive in the age of hybrid working also need to review the physical environment and workspace that their employees have access to - even on a part-time basis. Those with bigger budgets may consider regional 'hubs' to support (and indeed, attract) a wider talent pool, while others may simply focus on inviting spaces that invite collaboration supported by the appropriate tech.

Interestingly, nearly 19% of respondents to our survey didn't foresee challenges around hiring, retention, or the continued debate around hybrid and home-working - although did verbalise other themes around staff engagement, increasing market share, supply chain issues, and rising business operating costs.

Anticipated Challenges in 2023



The fight for companies to retain top performers and attract new talent remains a constant, driven by multi-faceted, socio-economic factors and an increasingly competitive environment. But ultimately, with fewer active candidates on the market, the recruitment process has had to adapt.

We have seen the number of stages in the process decrease in a bid to quickly secure legal professionals from the grasp of competitors.

Head-hunting has become a prominent method of recruiting and candidates are receiving multiple job offers, drawing attention to the need for unique employment offerings from employers and a need to really 'sell' the opportunity and firm to individuals who have an abundance of choice.

Futuregazing

According to our latest research, and based on the activity we have seen ourselves in the last 12 months as [legal recruitment specialists](#), counteroffers have increased dramatically as law firms attempt to keep hold of their talent. Inevitably this has meant a reconsideration of the general employment offering, highlighting the importance of providing competitive salaries (although this isn't necessarily the catalyst to move) and having upfront conversations around future career planning.

In addition to high basic salaries and flexible working options, comprehensive benefits packages continue to be offered to employees, including; above statutory minimum holidays, sick pay over and above SSP, financial bonuses, private medical cover, and well-being support.

In their latest [Work Trend Index](#), Microsoft states that the top trend looking forwards is centred around what they call the 'worth it' equation—what people want from work and what they're willing to give in return. The pandemic has undoubtedly shifted the power dynamic with employees putting personal life, mental health and well-being before work than they were before 2020. The question is therefore, which Firms are willing to adapt and address both these challenges and opportunities in a way that attracts, keeps and motivates their people, is good for business, and agile enough to adapt as the world continues to evolve?





More whiplash to come?

Despite the rollercoaster years of 2020-2022 now behind us, the future for the UK labour market doesn't show any clear signs of abating against a tumultuous backdrop of economic pressures on businesses, as well as a workforce with irrevocably-changing priorities when it comes to their employment.

Despite this, over 60% of firms we spoke to said that hiring would continue into the coming year; 32% of which said that this would be between 6-15% increase in headcount overall.

This tight market, where firms are all vying for the same pool of candidates will continue to make hiring tough for the foreseeable future unless business leaders are prepared to look for innovative ways to set themselves apart.

According to [Glassdoor and Indeed's Hiring and Workplace Trends report](#), some of the trends highlighted are actually more likely long-term challenges as 'deep-seated and long-term supply dynamics' will continue to create a persistent gap between skilled legal professionals and the demand from law firms. Attitudinally speaking, the gap widens further between workers that don't actually miss the office, but employers that do.

The report also reiterates that salary and benefits are still on the mind of jobseekers (30%) as the reason to look elsewhere, but a positive culture, shared values and a renewed focus on wellbeing is of continued importance.

Indeed, Ed Simpson, CEO at The Legal Director, [wrote in December](#) that change in the legal sector was still afoot, and the future success of law firms will lie with those who are prepared to embrace this change and evolve their operational model'.

Simpson also concedes however that there is no 'golden bullet' solution - yet accommodating some of the expectations of the current workforce, and continuing where possible to invest in training and development is imperative to maximise lawyers' fee-earning capabilities (and of course, keep them an engaged and happy-to-be-there part of your team).

The start of a new year always brings a fresh perspective to our lives both in and out of work. And, with a possible recession looming, law firms will undoubtedly enter the year with some trepidation, finding themselves caught in a dichotomy of potential budget cuts whilst also addressing pressure from employees who are dissatisfied with pay and remuneration as the cost of living continues to squeeze.

The predictions and scenarios presented across the media about work-related trends for 2023 also throws up a [whole new glossary of terms](#) that we may see in the coming months. Terms such as 'proximity bias', 'career cushioning', and 'worksations' may sound glib at this juncture, but those responsible for hiring and/or staff engagement need to at least have an awareness of what the coming year is likely to yield.

CLAYTON LEGAL

We understand that while talent is your greatest asset -it can also be your scarcest resource -which is why you need a recruitment partner with the market expertise, insight and network to deliver the right people at the right time.

Clayton Legal has been partnering with law firms across the country since 1999 and during that time has built up an enviable reputation for trust and reliability. We provide an experienced and credible voice in the market by being able to demonstrate a detailed knowledge of the legal sector's talent agenda. Talent is all about people and just like you, our consultants are true experts in their field with a real drive for excellence which informs everything they do.

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