

DEMOGRAPHICS

Some alarming numbers to contemplate.

(Jan 05)



In 1975 some 3352 lawyers held a practising certificate – today the number is nearly three times as many. This places New Zealand 2nd, behind the USA, for the number of lawyers per capita. In reality NZ may be 1st as there are estimated to be 5000-7000 further qualified lawyers who do not hold a current certificate and are thought to be working in a quasi-legal capacity on a part or full time basis. In addition, New Zealand seems to be unique in the Common Law world in that the fastest growing sector of private practice is the sole trader. Other jurisdictions are experiencing a decline in this sector.

The growth seems set to continue if the numbers passing their professionals is any guide. However, anecdotal research including discussion with NZLS suggests there may be a 'bottleneck' ahead. The numbers of students seeking to enter the profession is higher than ever and, depending on who you ask, something around 50% of LLB graduates cannot get work in the law.

When supply and demand get into this kind of disequilibrium something has to give. The law of economics suggests prices will fall to a point where oversupply is choked off. This doesn't bode well for the profession or the students who are burdened with 4 years of more of student debt.

LegalBestPractice would appreciate any comments and suggestions on this topic. For the long term, some kind of profession restructuring seems inevitable, especially in the area of HR leverage/gearing. The number of solicitors per partner has to grow. This will require careful planning if the law is to continue to attract the 'best and brightest'. New career structures will have to be found. Few potential lawyers are going to be comforted at the prospect of never obtaining a partnership, especially if earning potential is also on the wane. Part of the cure will lie in increasing productivity which seems to have stalled. The number of daily hours billed and paid for at full selling price has remained at or around its present level for nearly thirty years despite the massive investment in IT. Other professions have fared rather better and have seen productivity rise to a point where full utilisation is being achieved by some.

In a climate where the potential for price reductions is high to cope with demographic pressure the need to deliver productivity improvements has never been greater. Foremost among these is the proportion of fee earners to support staff. My discussion with partners and managers around the country indicates a ratio of 1:1 is acceptable, whereas 1 fee earner to 0.7 support staff is attainable with even better ratios in prospect. Locking in continuous improvements in productivity seems to take second place to marketing, which is odd given the marketplace for legal services is, to a great extent, 'controlled' by population numbers.

Call our office if you seek productivity improvement assistance – it is inexpensive and can deliver significant improvement to your 'bottom line'.