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Can paralegals replace corporate lawyers?

I predict that by 2010, expense will force many of the nation's largest law firms radically to alter the lawyer-paralegal ratio. Hundreds of corporate clients intent on controlling high legal fees will drive this change. Consequently, we may see a new kind of law firm gain popularity: firms with more paralegals than lawyers. Even today, the law of paralegal economics sings a soothing tune to corporate America.

Leading this reorganization is the Morristown, N.J., and New York firm of Porzio Bromberg & Newman, where, as of 1999, paralegals outnumbered the lawyers 64 to 56. This ratio is even more significant because the firm is apparently the only corporate one in the nation to have this distinction. The ratio is not accidental. The cost-savvy firm touts it as a calculated marketing tool. Clients applaud it, generating even more major clients and high-profit work for the firm.

Generating more than \$6 million in fees, or 30 percent of gross income in 1997, the paralegal brigade at Porzio contributes a large chunk of the bottom line. The income was part of the formula that created an eyebrow-lifting \$518,200 in profits per partner for the firm's 11 full-equity partners. That was an almost-30-percent increase from 1996.

The influence from this money commands almost equal footing for paralegals with the lawyers in this litigation and environmental firm. Calibrating a division of labor that transforms paralegals into an important moneymaker is a sea change in the legal industry, and should be a welcome one at that. Porzio's quantifiable success should be a guiding light for savvy law firms.

Last week, a national law firm based in Florida announced that it was laying off 60 partners and associates of its 1,275 lawyers and about 170 other staffers to cut costs.

Simultaneously, a national firm based in California announced it let go of 35 associates and 24 staff in its third series of layoffs since November. Lamentably, such job cuts slowly become commonplace in the streamlining legal economy. Where does this lead? Law firms must take notice of the lawyer-paralegal equation in their firms.

With profits and client acquisition and retention at stake, managing partners need to ask some tough questions. What is the optimum lawyer-paralegal ratio from a revenue-generating, overhead and efficiency standpoint?

A few national firms have about four or five lawyers for every paralegal. I call for business scholars to put the lawyer-paralegal equation under the empirical microscope and publish the illuminating data. Such wisdom would serve law firm managers well. Is the substantial use of paralegals a cure for high turnover

among associates? Porzio Bromberg's example answers this with a strong yes.

Its managing principal reports that paralegals "do some of the work that young lawyers would rather not do," such as drafts of pleadings, answers and interrogatories. Remove this disillusionment from young associates' plates, and the odds are high that those lawyers will not jump ship. This frees associates to do fun lawyer things such as take depositions, argue motions and plan for trial.

Paralegals in America's 250 largest law firms bill anywhere from \$30 to \$150 an hour. Junior associates at those same firms bill from \$80 to \$330 an hour. No wonder corporate clients mandate the use of more paralegals.

It is well-established that the efficient and prudent use of paralegals results in higher profits for law firms. Paralegals can do a lot of case work under the supervision of lawyers. Such delegation does not cross the line of practicing law without a license.

Paralegals average about 1,400 billable hours of work a year, while associates in the largest firms average about 1,850 hours. Could firms replace some associates with paralegals that work about 1,600 hours a year for a modest pay increase?

At top-tier firms, first-year associates can command \$125,000 salaries, while entry-level paralegals can command about \$40,000. Client-savvy firms should examine this proposition, too.

The paralegal force grows ever larger and must be reckoned with. While there are now 1 million lawyers in America, there are about 150,000 paralegals. The profession is the sixth-fastest-growing one in the nation. The U.S. Bureau of Labor Statistics projects 77,000 new paralegals by 2005. Paralegals' power will become a permanent feature on the legal-services landscape.

A foretaste of 2010, it will be the Porzios of the future that reap the competitive advantage in the new generation of paralegal-savvy law firms. Law firms that ignore this change may well see some of their blue-chip clients basking in Porzio's paralegal-heavy tent. **E**



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