

Bellwether 2020: COVID-19: The next chapter

Independent law firms have largely survived COVID. By comparing attitudes and issues from the beginning of the pandemic to today, it is clear the journey ahead will not be easy.

Introduction

This research is part two of LexisNexis' flagship research study, the Bellwether 2020. The first round of fieldwork was completed 5-6 weeks after the first lockdown started. For this second iteration, we spoke with 120 lawyers from a variety of small firms (with fewer than 21 fee earners), of which 60 had decision-maker status in their job roles and responsibilities. The study was conducted six months after the first, prior to the government announcing the extension of its furlough scheme.



1. The state of sentiment

*"We know we're in troubling times –
let's just roll with it and keep pushing
our firms to do better".*

1. The state of sentiment

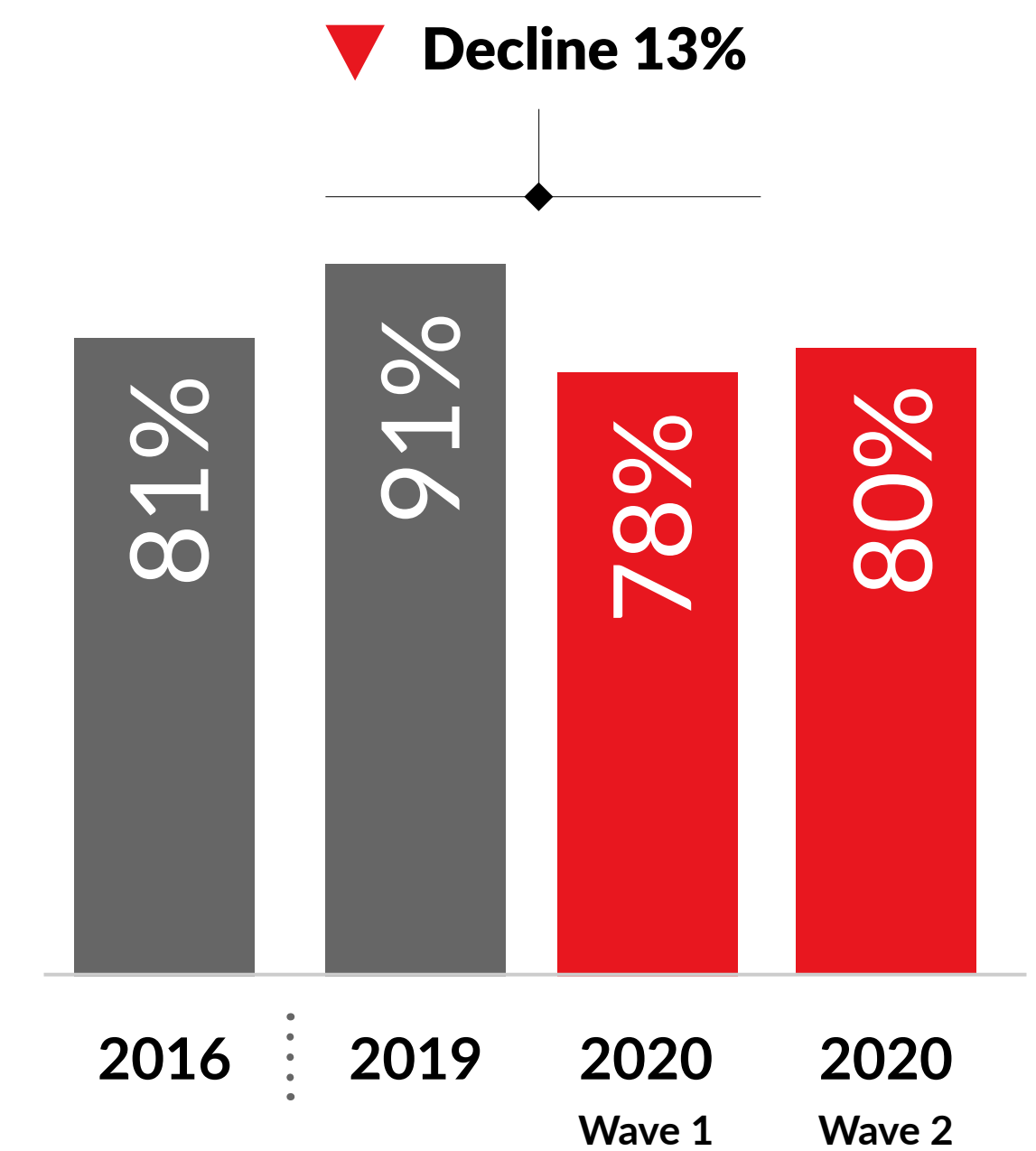
Fewer firms now describe the impact of COVID-19 on their business as critical. Confidence levels have remained steady with **8 out of 10 firms** stating that they were either 'very' or 'quite' confident in their outlook. [Fig 1.1]

Our first 2020 study was conducted as initial effects of the COVID-19 pandemic hit the legal industry. Unsurprisingly, confidence levels had dropped, with teams

battling the immediate effects of the crisis as top priority – overshadowing all other business-as-usual (BAU) activities.

Six months on, though high levels of uncertainty remain, the mindset of law firms is visibly more buoyant. Confidence levels are fairly good despite the continued economic downturn and the potential ending of government furlough schemes.*

* Survey conducted pre-November 2020 government furlough extension announcement



[Fig 1.1]
Confidence is down, but not to unprecedented levels

"How would you describe your confidence looking forward (Very / Quite confident)"

1. The state of sentiment

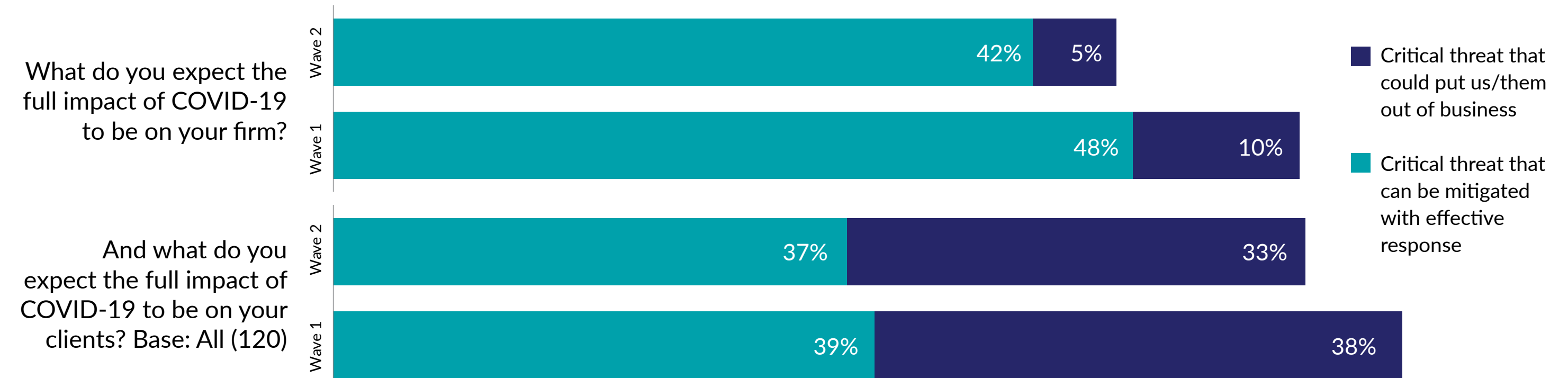
Growth returns

42%

said their practice was growing compared to 3-4 years ago, as opposed to 37% in the first half of the year.

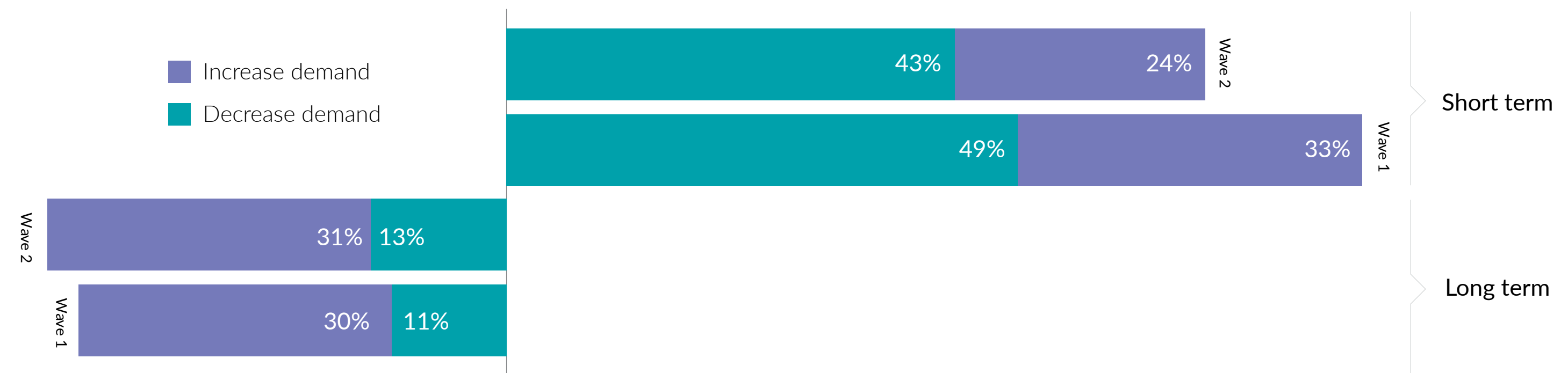
Equally, just under half (47%) say that their business was stable, which has remained unchanged from our earlier study. For some practice areas, the 'COVID effect' has clearly boosted the need for legal work, whilst for others, pandemic restrictions exacerbated existing issues.

There appears to be a split in the market here, between those who appear confident regarding their firm's performance and those with a more negative outlook. When asked about the impact of COVID-19 on their clients, the same question gave results skewed more towards there being a 'critical threat' to business performance. [Fig 1.2]



[Fig 1.2]

Perceived impact of COVID-19 on legal market



[Fig 1.3] How do you think Covid-19 will affect the legal market as a whole, in both the short-term and the long-term? Base: All (120)

“We deal almost exclusively in family and children law our workload has grown exponentially over the period of the pandemic”.

“A large chunk of our business comes from property. While we are experiencing a post-lockdown boom at the moment, this is unlikely to last. If we return to a 2008 situation, we will have to make some difficult decisions”.

“As a firm, we have made sure to stand by our client’s side offering business support as well as legal services. We have also realised the opportunities that the current market has for acquisitions and disposals of businesses”.

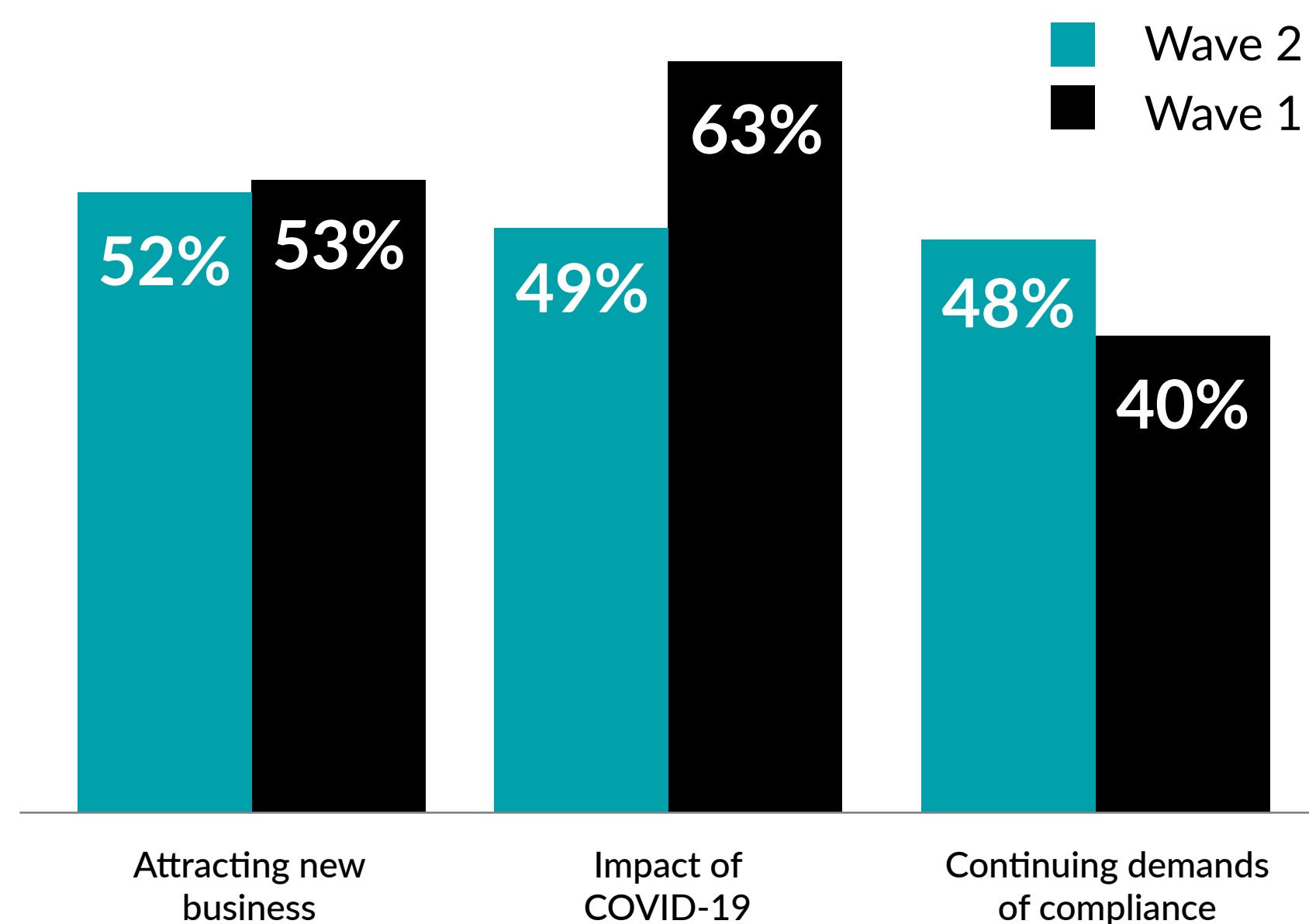
“The courts and criminal justice system are underfunded and have been for many years. The COVID lockdown has stretched an already broken system and the backlog of cases will take years to clear”.

1. The state of sentiment

One of multiple challenges

The impact of **COVID-19** has now dropped back to be in line with the typical law firm challenges of **attracting new business** and the continuing **demands of compliance regulations**.

Though still ranked as a 'Top 3' headache, crisis management is a significantly less dominant concern when compared to results from the earlier Bellwether 2020 study. [Fig 1.4]



[Fig 1.4]

49% vs 63%

state the Impact of COVID-19 among their three biggest challenges.

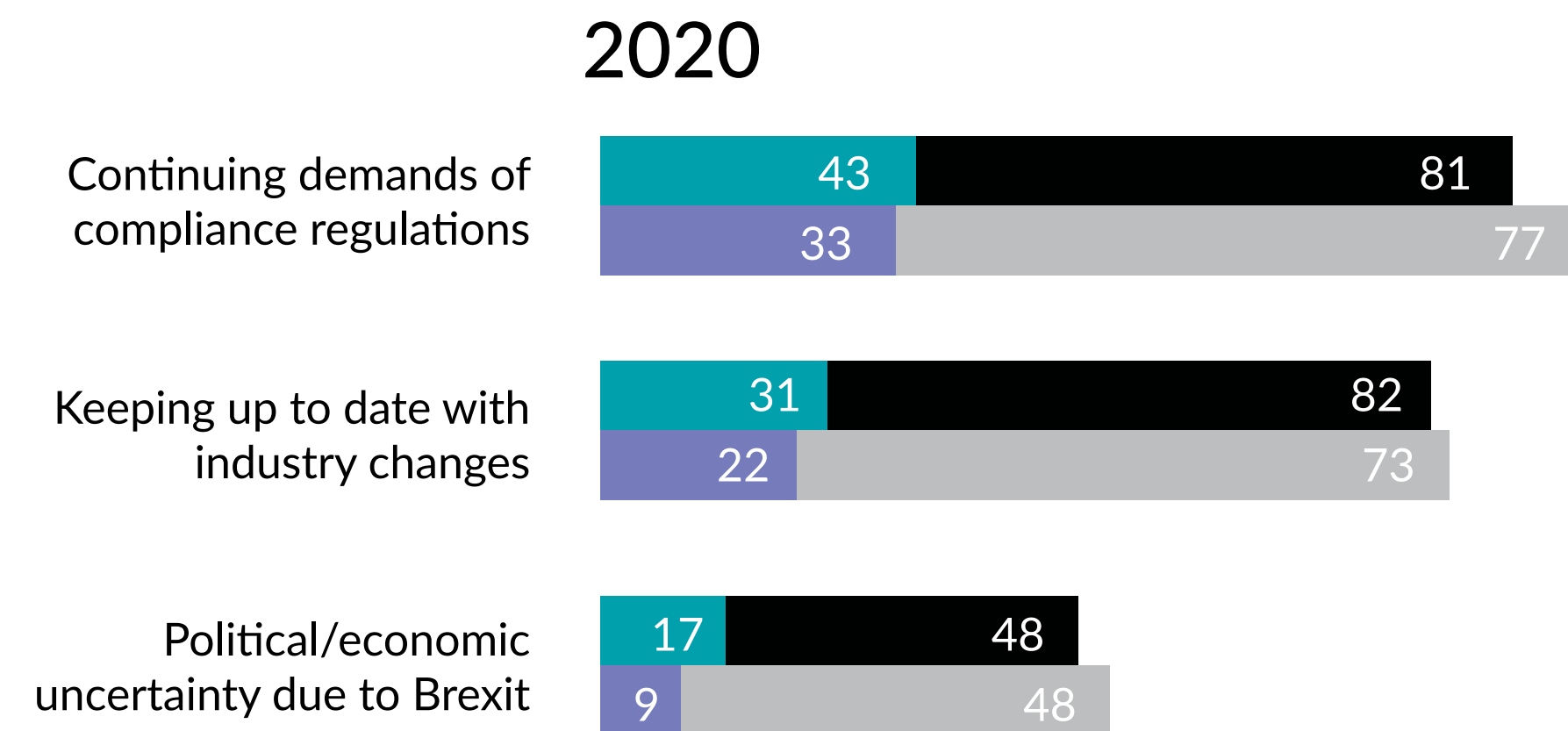
1. The state of sentiment

Respondents now believe that compliance, keeping up with industry changes and topically – political and economic **uncertainty due to Brexit** – were higher priority threats. [Fig 1.5]

“Peaks & troughs with every day, but uncertainty is the key thing here”.

“We know we’re in troubling times – let’s just roll with it and keep pushing our firms to do better”.

Challenges faced



WAVE 2

■ % Very significant
 ■ % at all significant

WAVE 1

■ % Very significant
 ■ % at all significant

[Fig 1.5] The following challenges/threats were raised by other solicitors we’ve spoken to. How significant are each to your current business?
 Base: All (120)

2. The human effect

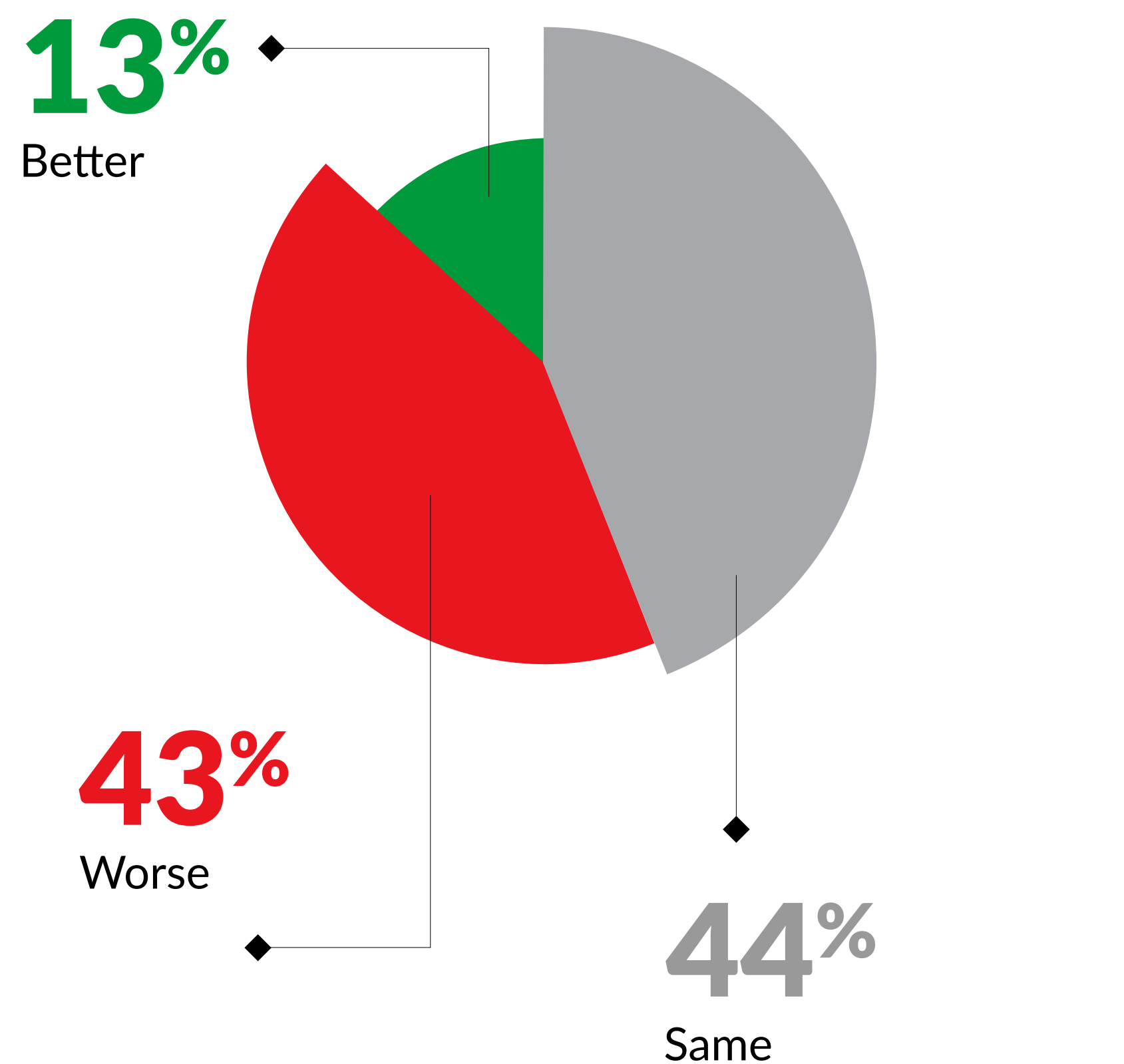
“That the staff are an integral part and should be valued. Without the staff, the business is worthless”



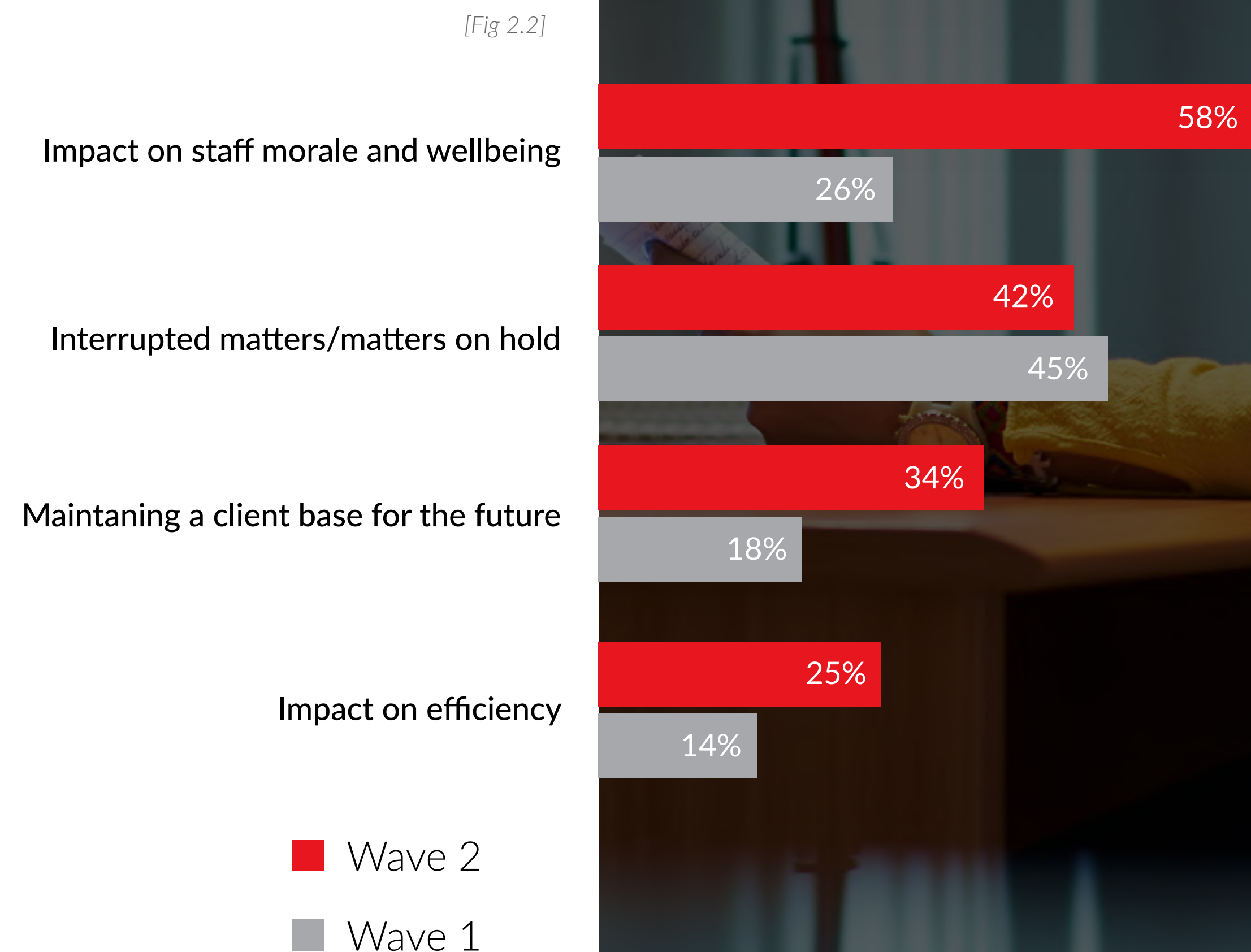
2. The human effect

Staff morale is now cited as the top concern for firms, especially those with 6+ fee earners. Issues around isolation and lack of motivation are increasing dramatically and feature strongly in the list of issues raised related to homeworking.

The three main COVID-19 concerns in Wave 2 versus Wave 1, were the impact on staff morale and wellbeing (**58%**), maintaining a client base for the future (**34%**) and the impact on efficiency (**25%**). [Fig 2.2]

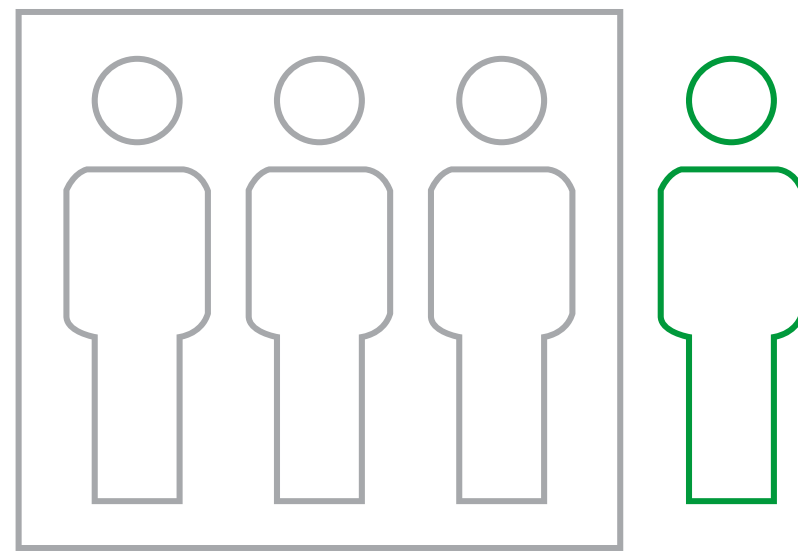


[Fig 2.1] Overall morale and wellbeing has become worse under lockdown for a third of respondents



[Fig 2.2]

Home isolation



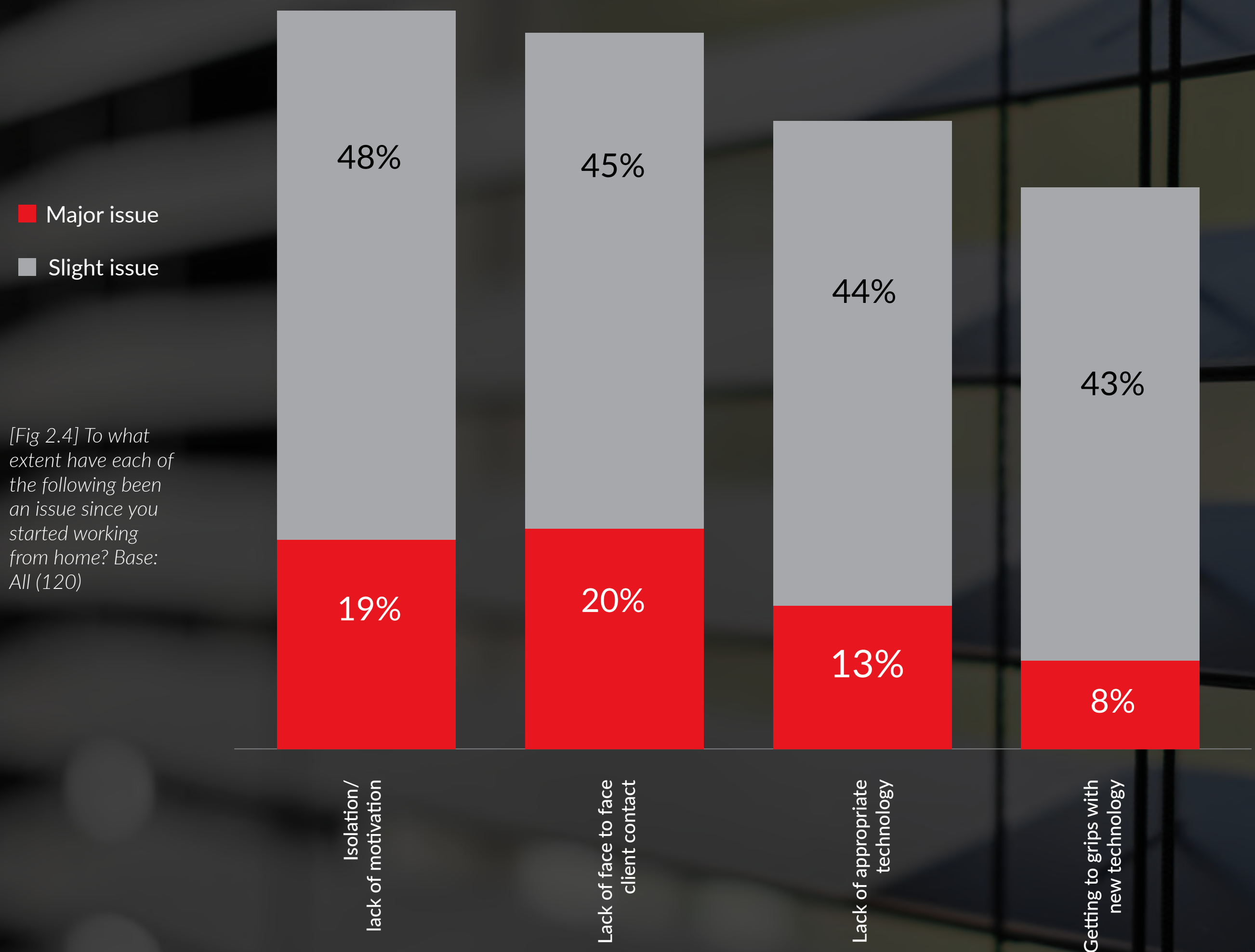
3 in 4

[Fig 2.3]

are experiencing feelings of isolation, lack of motivation, and issues around miscommunication or insufficient communication. Are the cracks beginning to show in the homeworking model?

Lack of management direction and supervision were also considered to be increasing issues since the first lockdown. Young lawyers, in particular, who perhaps typically rely on colleagues for morale and training, said they were feeling increasingly isolated as the crisis has deepened. Is there an opportunity here for firms to focus on the employee? [Fig 2.4]

Issues encountered with homeworking



[Fig 2.4] To what extent have each of the following been an issue since you started working from home? Base: All (120)

2. The human effect

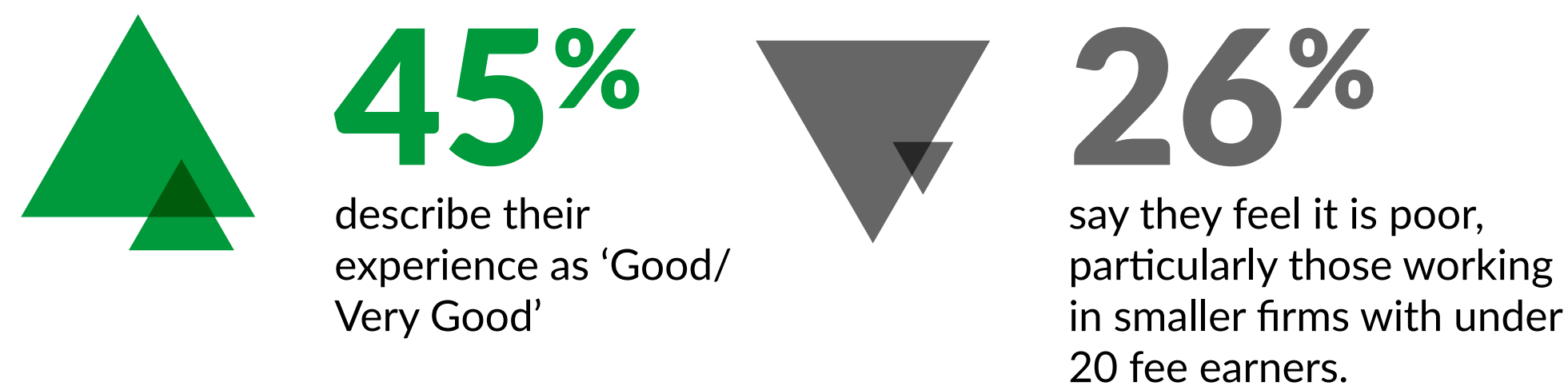
Homeworking at large – what’s the plan?

65% At 65%, as the crisis has gone on, an increasing majority of lawyers would like to work from home longer-term (either part or full-time). Though part-time homeworking remains the preference for the future, work/life balance is suffering, and solicitors are now experiencing similar levels of stress and long hours to those of decision-makers.

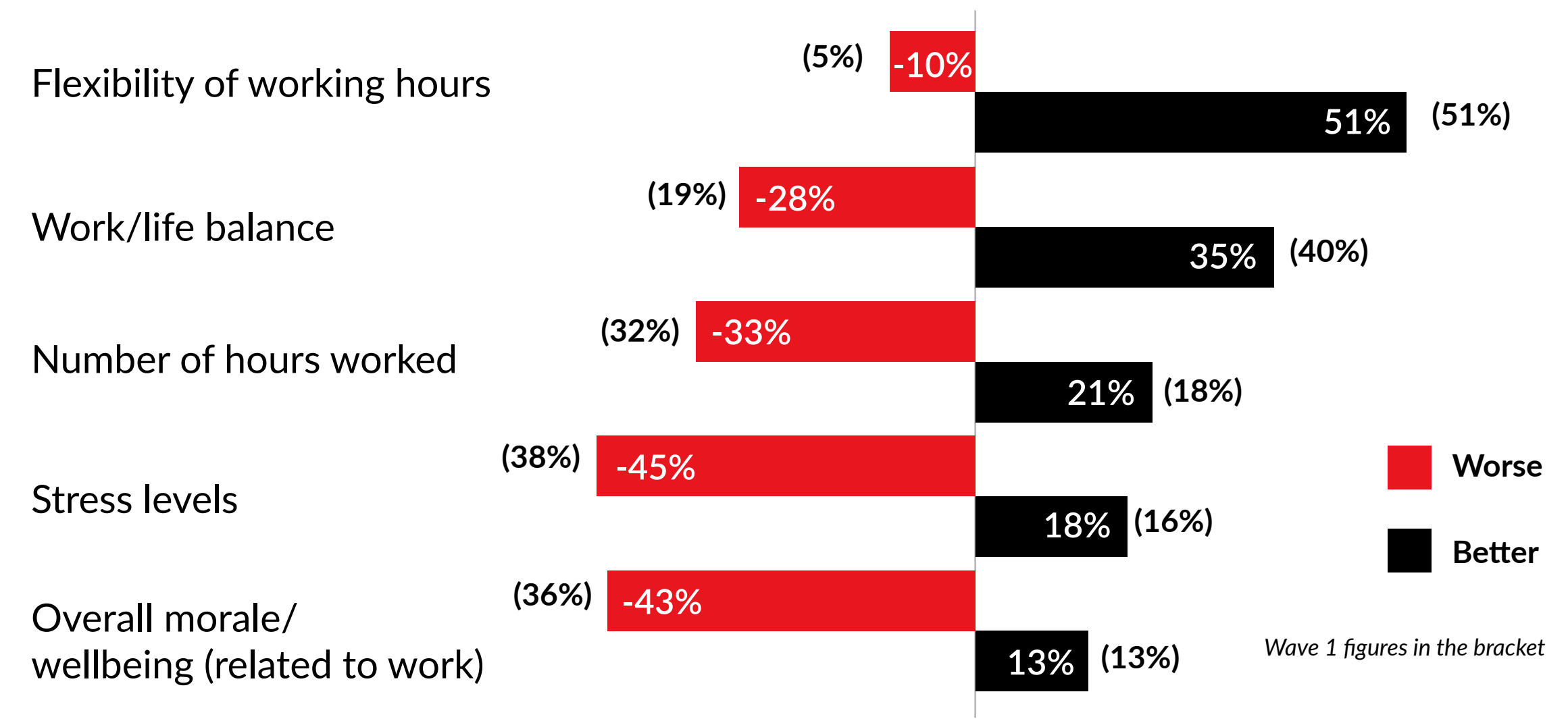
Respondents report increased problems in managing staff remotely (**31%** versus **19%** during the first lockdown) and quoted a greater emphasis on data and targets to measure employee performance in a remote environment.

Stress levels and morale are poor overall, with almost half stating that this has worsened over time.

[Fig 2.5] While there is a perceived improvement in productivity compared to earlier in the year – it is still lower than pre-COVID. Work/life balance continues to be hit hard

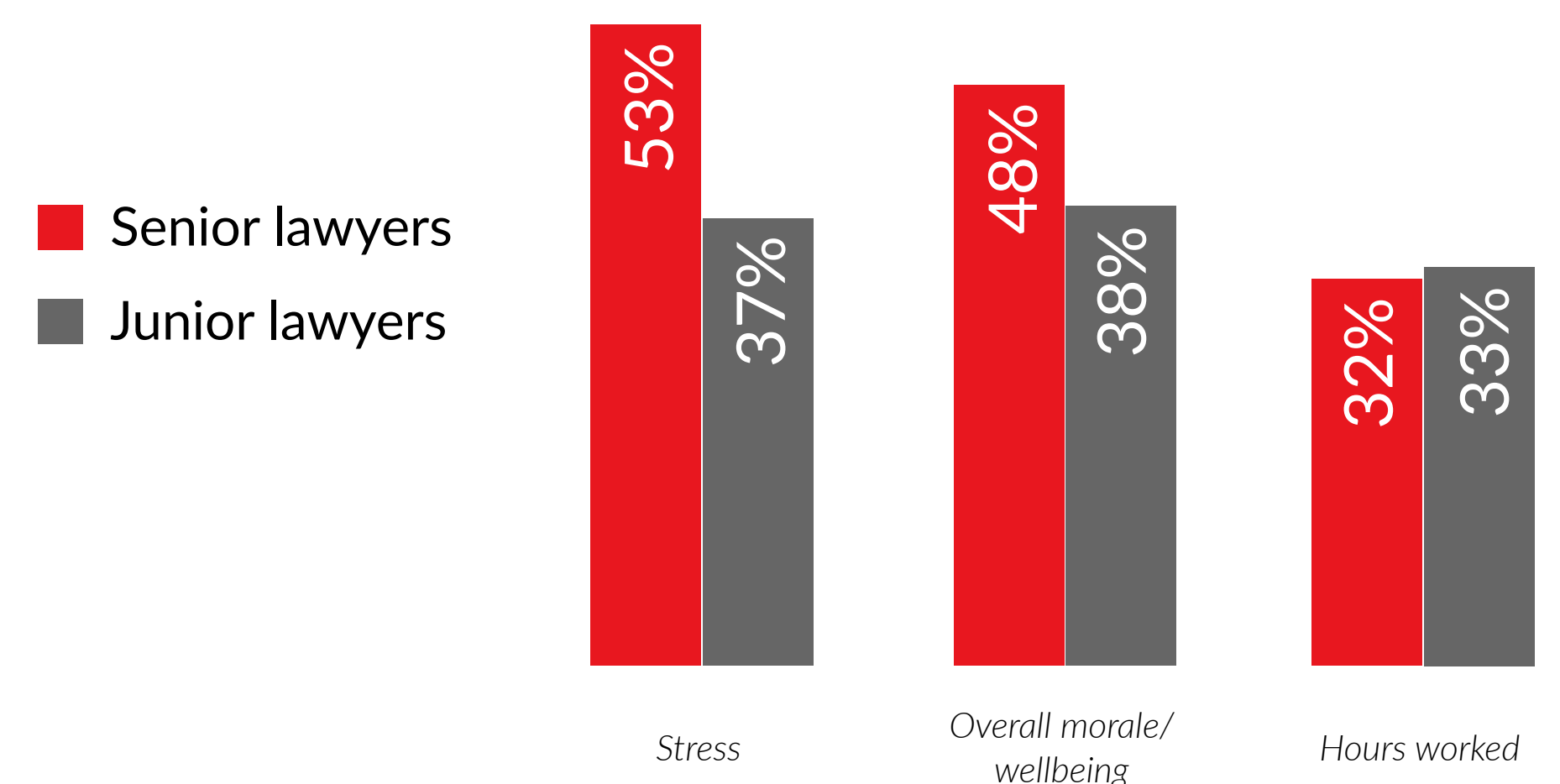


Work/life comparison to pre-COVID-19 days



[Fig 2.6] How do the following aspects of your work compare to pre COVID-19 days? Base: All (120)

Current work/life balance



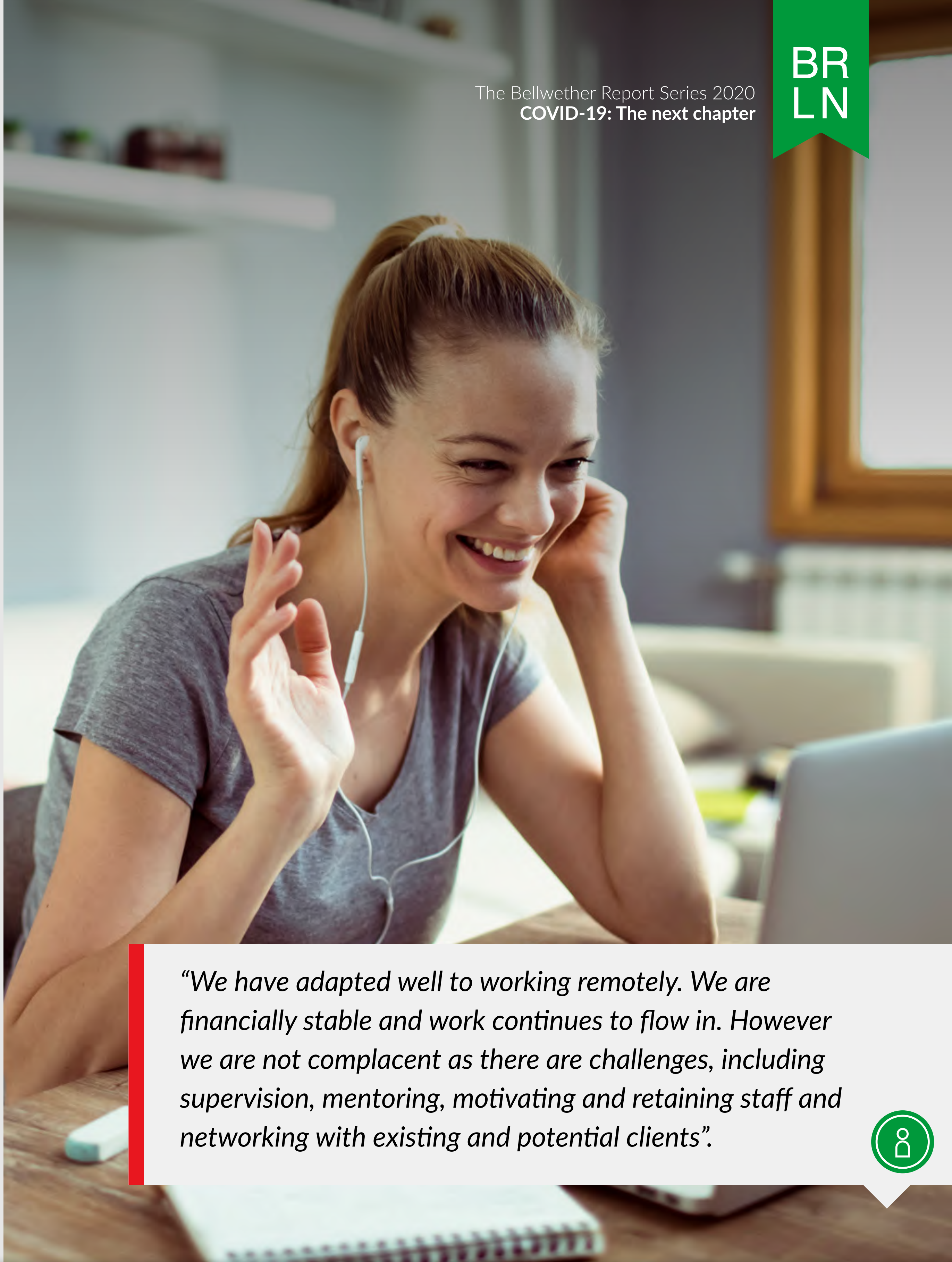
[Fig 2.7] So how would you describe your current work/life balance?

The proactive approach

The effectiveness of homeworking is undeniable; however, firms have had to think on their feet as the human elements of business, and relationship nuances are far more difficult to manage online. Perhaps now, looking to 2021, firms could think about putting **strategies in place to manage the ill-effects of distanced teams** longer-term.

The reported low morale and poor work/life balance of this study has increased since earlier in the year. Firms who proactively manage the ‘human effect’ of COVID-19, stand to see benefits in morale, staff retention and resilience of teams.

Could firms look to advertise mental health apps, online exercise, activities or groups that are running? Consider informally surveying your employees regarding frequency of meetings, team collaboration and what they think would ease the pressure. Encourage your Partners to discuss the importance of openness in management styles, and offer further training where needed.



“We have adapted well to working remotely. We are financially stable and work continues to flow in. However we are not complacent as there are challenges, including supervision, mentoring, motivating and retaining staff and networking with existing and potential clients”.



3. The operations upshot

"You cannot plan everything. You can survive the most difficult times!"

3. The operations upshot

“Equally it is important to have face-to-face contact with your colleagues, as working remotely can be lonely and demoralising”.



4 in 5 firms feel they will still be in business for the longer term

[Fig 3.1]

But will this sentiment continue as the year closes? The impact of COVID-19 on productivity and the quality of work overall has not been severe. Investment in processes and technology remain the key driver for change in legal business operations.



25%

37% of law firms said their work had suffered due to COVID-19 in our initial study. Now, just a quarter of firms feel they are suffering.

69%

said their work had improved or stayed the same

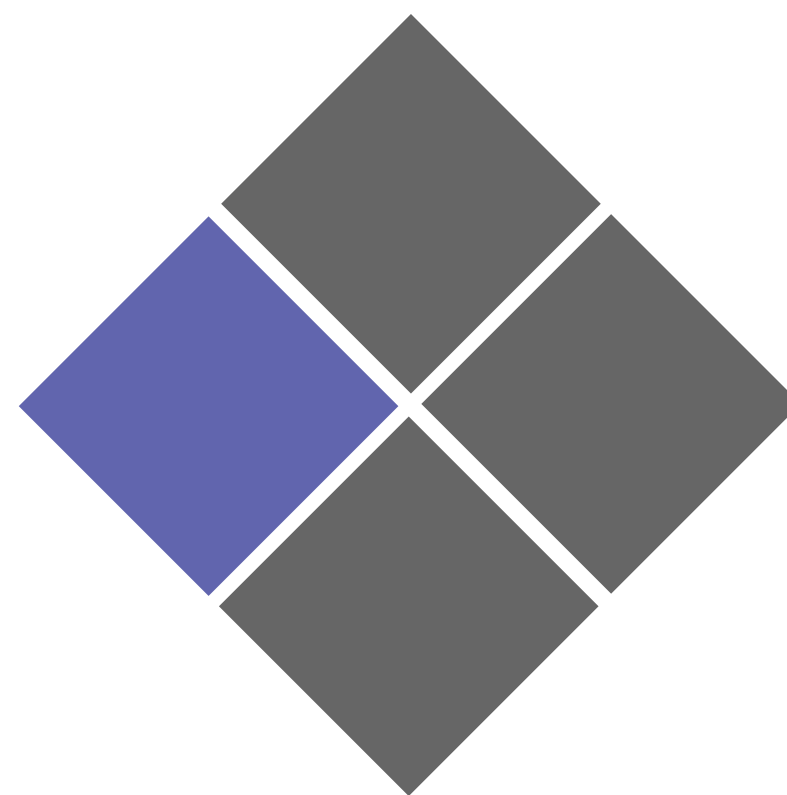
85%

Productivity versus pre-COVID levels an increase from 71%.

[Fig 3.2]

Furlough tempers cuts

Our study showed that three quarters of firms furloughed staff (or 90% of firms with 6+ fee earners). 1 in 3 planned to claim the £1,000 Job Support Scheme retention initiative – with the recent government announcement, we can expect firms to continue to rely on support.



1 in 4 firms
are implementing cuts
(**23%** versus **4%** during
the first lockdown)

[Fig 3.3]

An increase in redundancies will hit firm financials. That said, the larger firms are inwardly looking concerned about employee welfare, whereas smaller firms are concerned about their current and further client base and volume of work. [Fig 3.3]

Q. Six months into the COVID-19 crisis, what have been the most important learnings for your business?

“You cannot plan everything. You can survive the most difficult times”!



Spotlight on tools and investment

73%

of respondents still see COVID-19 as an opportunity to drive change and innovation. Though as the focus of investment is channelled towards technology, there is a danger that other business areas will suffer.

COVID-19 has resulted in marketing and website investment both declining, as well as investment in people, recruitment funds and time allocated for pro bono work. 40% of firms are changing their practice area base, whether that be becoming more generalist or specialist, with the majority specialising.

40%

of firms are changing their practice area base

[Fig 3.4]

Increased investment in processes and technology are the key areas of focus for change, yet investing in people and training are marked lower on the priority list – though do firms recognise the need to invest in those needed to drive technology change, as well as the appropriate tools for the business? Equally, though marketing efforts appear to bring short-term gains, ultimately the impact of cutting marketing budgets and losing traction and visibility in the market, could lead to long-term problems for the firms.

As employees work remotely, the introduction of new systems and tools will require an even more carefully scrutinised training and implementation plan, particularly for younger and/or new workers.

3. The operations upshot

Q. Six months into the COVID-19 crisis, what have been the most important learnings for your business?

“The continued need for financial prudence whilst at the same time looking to increase revenues”.

“Use of technology to support mix of home and office location practice and how to support staff morale and motivation”.

As business operations continue to run relatively smoothly online, could face-to-face contact become seen as more of a nice to have? However particularly in a pandemic scenario, business needs to be a human operation first, a business operation second.

Technology aids increased productivity in the sector, and tools can offer practice area coverage and specialisation in new, accessible ways. However, internally, a greater emphasis needs to be placed on the face-to-face impact of teams working remotely, and therefore management's ability to maintain a strong hold on output.

“We can operate efficiently remotely and with less face-to-face client contact. We are reviewing the set up, no longer having a full time receptionist. Equally it is important to have face-to-face contact with your colleagues, as working remotely can be lonely and demoralising”.



Gross Legal Product Report

It has rapidly become a platitude, but it is hard to overstate the impact COVID-19 has had on the legal community.

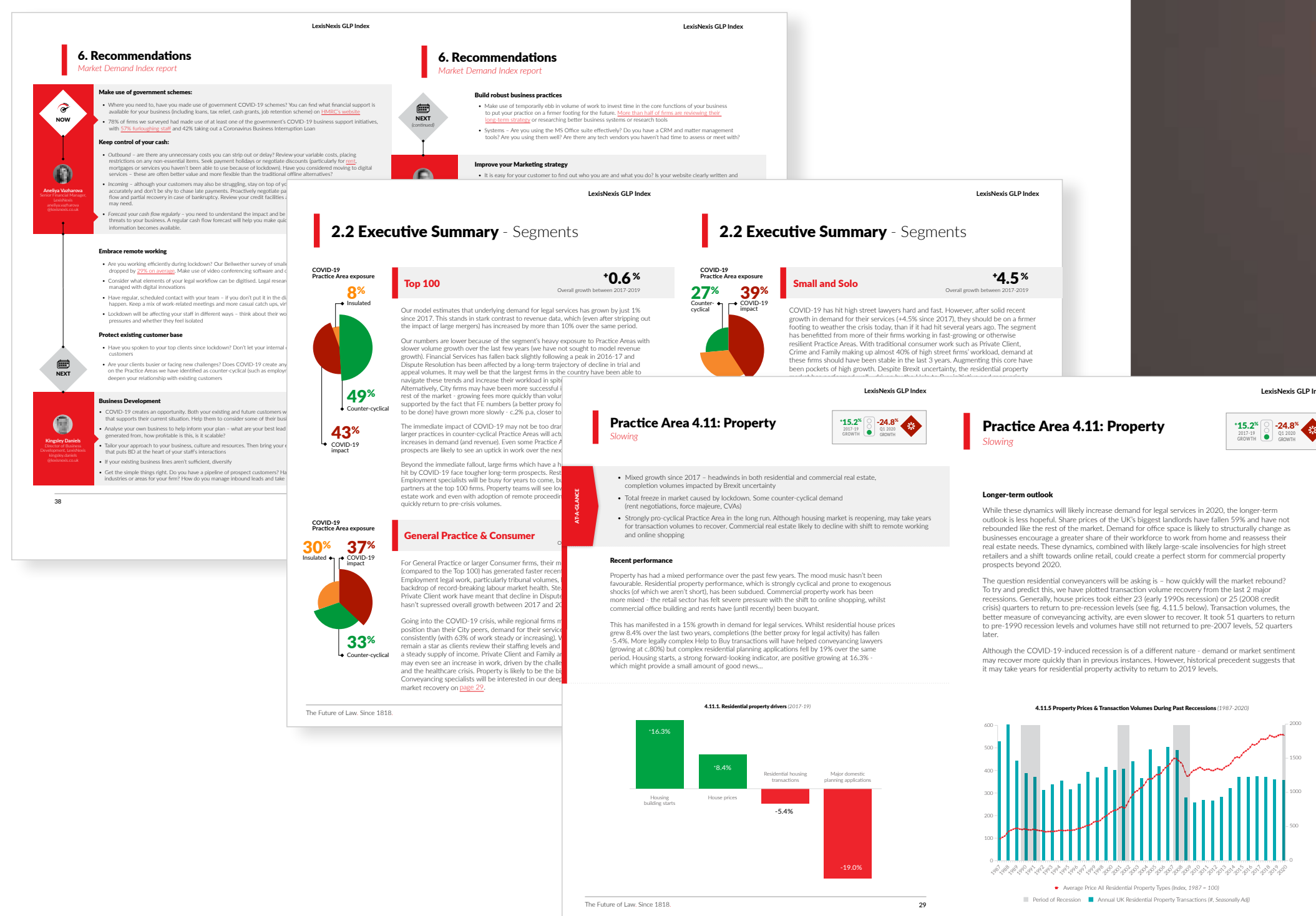
Our industry is facing its greatest operational and commercial challenges. The long-term impact is still hard to gauge. Whilst most areas of the market have proved innovative and resilient, there will inevitably be some organisations - firms, corporates, chambers, charitable groups and academic institutions - who will struggle to survive the next few months.

GDP (Gross Domestic Product) is a measure of the level of demand in an economy, tracked using a representative basket of goods and services. Our **GLP (Gross Legal Product)** index works in exactly the same way – it measures a set of influencing factors and activities to estimate demand in the Legal Market.



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All trend data and model inputs taken from government or publicly available sources. Where possible, specific sources have been cited. For more information, [please contact the report's author](#).



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