



The Law Society

# Problems faced by firms

## The Law Society's Firm Survey 2013-14



The Law Society

# Executive summary

During November 2013 to January 2014, senior representatives from 900 private practice firms were interviewed by telephone about the work and practices of their firm. Data was weighted by size of firm (using partner count and region to ensure findings were representative of the population on these two measures.

- In 2013 around half of firms reported experiencing problems with costs, financing, compliance with regulations relating to legal services provision, legal aid changes or competition for business, over the preceding twelve months.
- Firms were most likely to report that regulatory compliance had been either a 'fairly' or 'very significant' problem and almost one-fifth of firms reported that recent changes in legal aid had been a 'very significant problem'. Small and medium sized firms, in particular, found these two issues problematic.
- Competition for business was the most frequently cited problem for large firms, followed by the cost and availability of suitable premises and the cost of employing solicitors.
- Competition for business in 2013 was most likely to come from volume providers and non-solicitor organisations. Large firms reported facing competition from regional and national firms.
- Changes to the legal aid system had a significant impact on firms in Wales, with around half (46%) indicating changes had been either a 'fairly' or 'very significant problem', compared to 24% of all law firms.

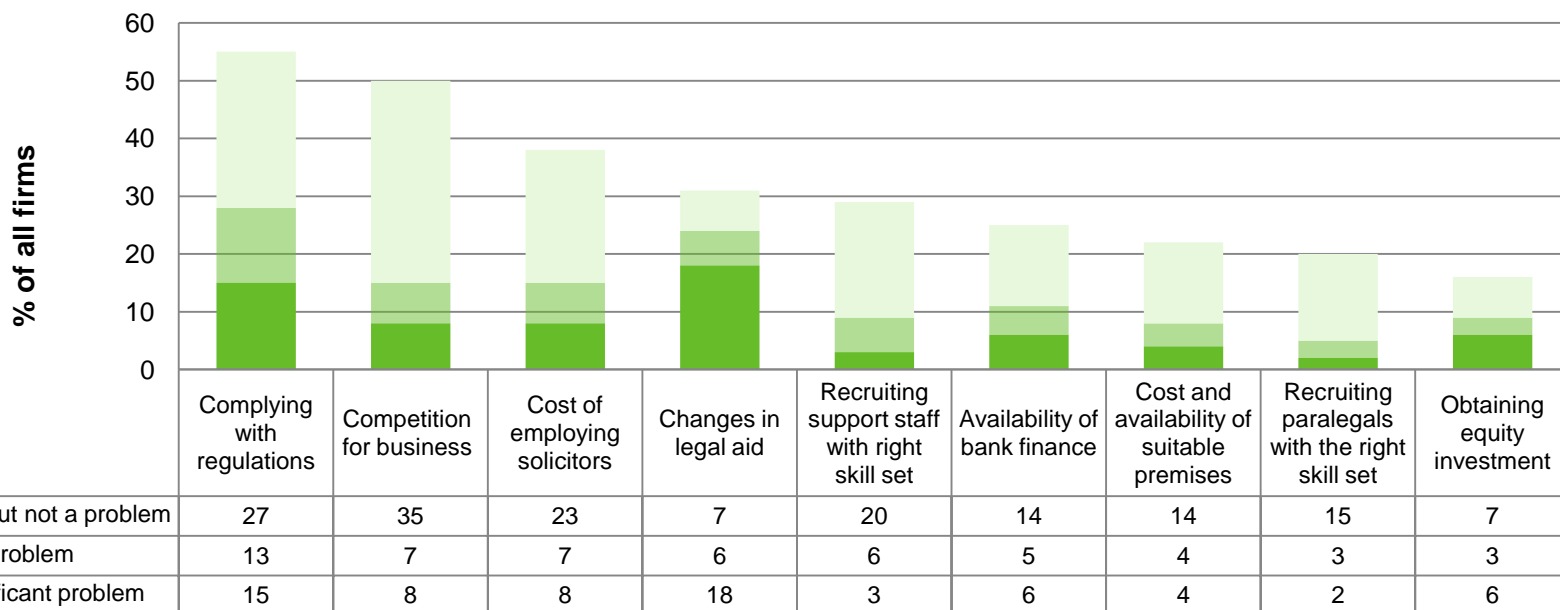


- For advice on regulation visit the Law Society's website <http://www.lawsociety.org.uk/advice/regulation/#1>

# At least 55% of firms had experienced problems with costs, financing, complying with legal services regulation, legal aid changes or competition over the preceding 12 months

- A similar proportion of firms in 2013-14 (55%) and 2012 (58%) reported having experienced problems.
- In 2013-14, a higher proportion of firms outside London had experienced one or more problems (58%) compared to London based firms (48%). Regional differences were largest between firms in London (48%) and in the North (60%).
- Whilst compliance with regulation on legal services provision and competition for business were current issues for law firms, almost one-fifth of firms identified the recent changes to legal aid as a ‘very significant problem’.

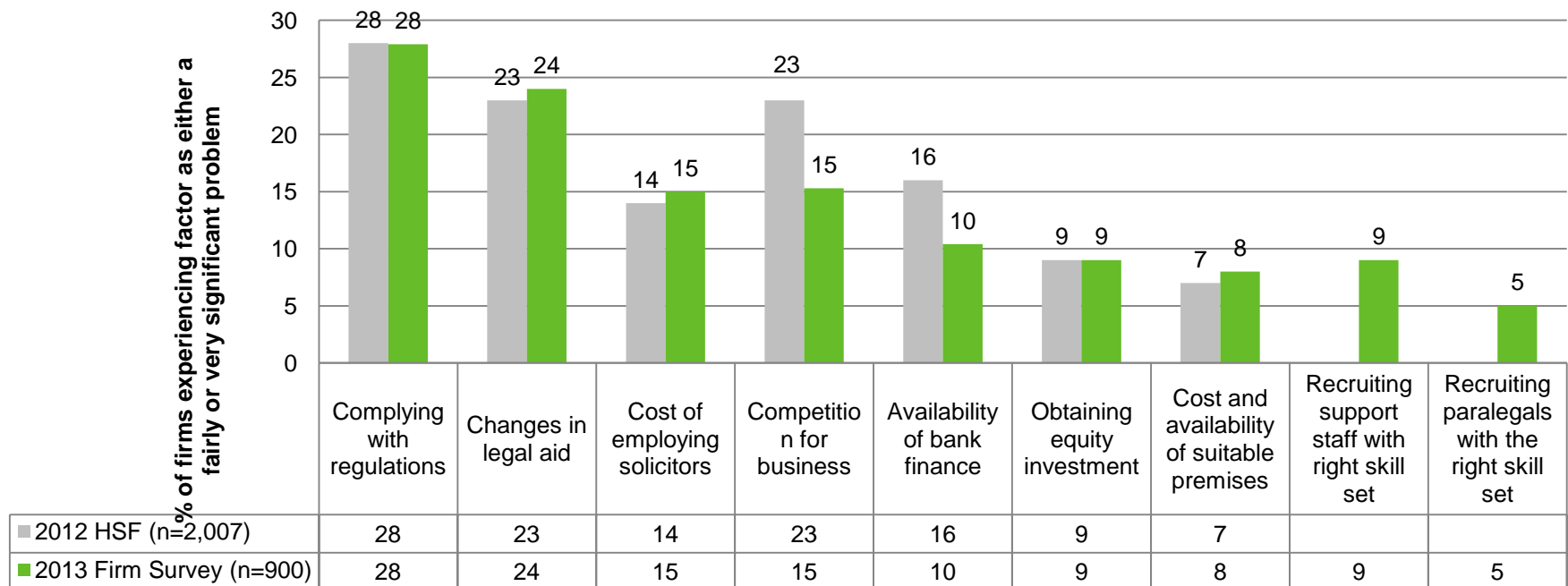
## Problems reported by firms in 2013 (n=900)



# Compliance with regulation on legal service provision and changes in legal aid continued to be a problem for firms in 2013-14

- The largest difference between reported problems for firms in 2012 and 2013-14 was found in relation to competition for business (a negative 8 percentage point difference). Firms in 2013 were significantly less likely than those in 2012 to consider competition for business a 'fairly' or 'very significant problem'.
- The most commonly cited problem experienced by firms in 2012 and in 2013 was complying with regulations on legal services provision (28% for both years), followed by changes in legal aid (23% of firms in 2012 and 24% in 2013).

## Problems faced by firms (2012-2013)



## Compliance with regulation and changes in legal aid were the two most commonly cited problems for small and medium sized firms, whilst competition for business was the leading problem for large firms

Factors	Small firms 1-4 partners (n=495)	Medium firms 5-25 partners (n=334)	Large firms 26 or more partners (n=71)	All firms (n=900)
Complying with regulations on legal services provision	27% ①	36% ①	15% ③	28% ①
Changes in legal aid	24% ②	29% ②	8%	24% ②
Cost of employing solicitors	15%	19% ③	15% ③	15% ③
Competition for business	14% ③	19% ③	35% ①	15%
Availability of bank finance	11%	7%	5%	11%
Obtaining equity investment from existing and new partners	9%	13%	4%	9%
Recruiting support staff with the right skill set	9%	17%	8%	9%
Cost and availability of suitable premises	8%	8%	17% ②	8%
Recruiting paralegals with the right skill set	4%	10%	0%	5%

Factors with the highest proportion of firms reporting factor as being either a 'significant problem' or a 'very significant problem'

① Most commonly cited problem    ② Second most frequently cited problem    ③ Third most frequently cited problem

**With the exception of the North and Wales (where changes in legal aid had been the most significant problem), compliance with regulations on legal services provision was found to be the most commonly reported problem for firms in other regions**

	Eastern (n=53)	London (n=220)	Midlands (n=91)	North East (n=90)	North West (n=109)	South East (n=209)	South West (n=77)	Wales (n=51)	All (n=900)
Complying with regulations on legal services provision	30% <b>1</b>	22% <b>1</b>	29% <b>1</b>	32% <b>2</b>	32% <b>2</b>	25% <b>1</b>	36% <b>1</b>	33% <b>2</b>	28% <b>1</b>
Changes in legal aid	27% <b>2</b>	19% <b>2</b>	24% <b>2</b>	33% <b>1</b>	27% <b>1</b>	15% <b>2</b>	29% <b>2</b>	46% <b>1</b>	24% <b>2</b>
Cost of employing solicitors	12%	13% <b>3</b>	17% <b>3</b>	16%	21% <b>3</b>	14% <b>3</b>	18% <b>3</b>	12%	15% <b>3</b>
Competition for business	8%	12%	17% <b>3</b>	25% <b>3</b>	21% <b>3</b>	15% <b>2</b>	7%	16%	11%
Availability of bank finance	13%	9%	7%	10%	12%	9%	14%	18% <b>3</b>	10%
Recruiting support staff with the right skill set	17% <b>3</b>	6%	13%	6%	8%	11%	10%	15%	9%
Obtaining equity investment from existing and new partners	17% <b>3</b>	5%	8%	13%	6%	9%	10%	13%	10%
Cost and availability of suitable premises	6%	11%	10%	4%	6%	7%	8%	14%	8%
Recruiting paralegals with the right skill set	9%	2%	6%	3%	7%	5%	9%	5%	5%

Factors with the highest proportion of firms reporting factor as being either a 'significant problem' or a 'very significant problem'

**1** Most commonly cited problem   **2** Second most frequently cited problem   **3** Third most frequently cited problem



## The types of problems experienced differed by firms' location and ownership type

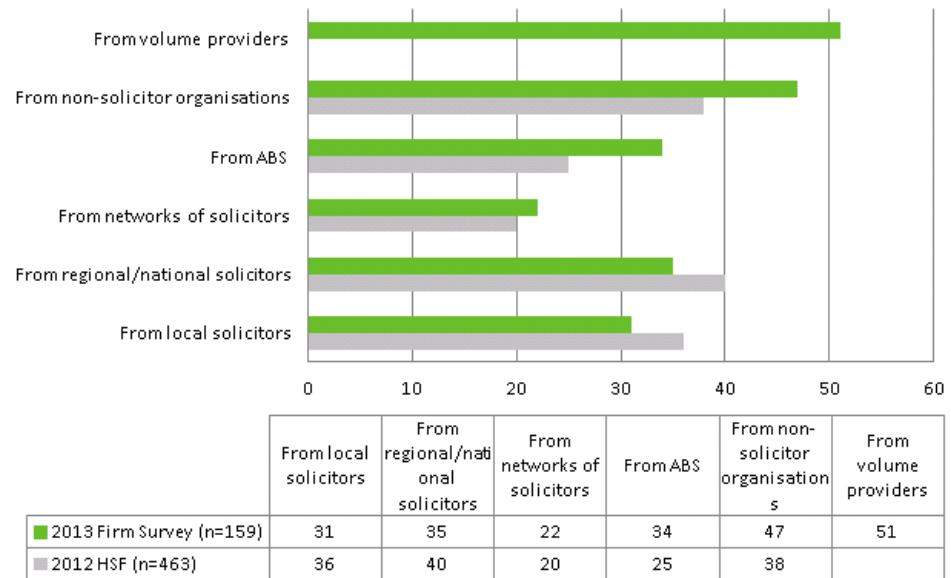
- As shown, regional variations were found in the proportion of firms reporting problems being either a 'fairly' or 'very significant' problem:
  - A higher proportion of firms in Wales (46%) and the North West (33%) reported that changes to legal aid were a problem, compared to 15% of firms in the South East and 19% of firms in London.
  - Competition for business was more likely to be considered a problem by firms in the North East (25%) and North East (22%), compared to firms in the East (7%), London (12%) or the South West (7%).
- Whilst, overall, whether or not a firm was majority BAME owned did not appear to impact on whether or not firms had experienced problems over the preceding 12 months, differences did exist in relation to the types of issues that were perceived as problematic.
- For example BAME-majority-owned firms were more likely to report the following as either a 'fairly' or 'significant problem', compared to other firms:
  - Cost of employing solicitors
  - Cost and availability of premises
  - Availability of bank finance
- BAME-majority-owned firms were more likely to report compliance with regulations not being a problem (64%) compared to other firms (41% of non-BAME owned and 39% of firms with equal white / BAME ownership).



# Volume providers and non-solicitor organisations were the sources of competition identified by around half of firms reporting competition for business being a problem

- A smaller proportion of firms in 2013 (15%) compared to 2012 (23%) reported problems with competition for business.
- Sources of competition in 2013 were similar to those identified by firms in 2012.
- The most commonly identified sources of competition for business across firms of all sizes in 2013 appeared to come from volume providers (51%) and non-solicitor organisations (47%).
- However, for larger firms the main sources of competition for business was from regional and national firms (40%) and from volume providers (24%). For large firms, competition for business was the most frequently cited problem.

### Sources of competition (2012-2013)







# Appendix: Approach

## The data

- During November 2013 to January 2014, 900 telephone interviews were conducted with senior representatives of law firms in England and Wales. Interviews were conducted by Moulton Hall Ltd, an independent research agency.
- Firms were selected through a stratified (by size) random sampling strategy. The response rate to the survey was 55%.
- Responses have been 'weighted' size of firm (using partner count) and region so that the analysed sample more closely represents the population from which it was drawn on these measures.
- Where appropriate responses to the 2013-14 firm survey have been compared with the findings from the 2012 High Street Firm Survey. The latter was jointly commissioned project with the Ministry of Justice, Legal Services and Law Society. In Spring 2012, 2007 firms were interviewed. The full report and data can be found on the Law Society's website at: <http://www.lawsociety.org.uk/representation/research-trends/research-publications/baseline-survey-of-solicitor-firms-2012/>

- Sample sizes and confidence intervals associated with firm groupings by size are shown in the table below. For example, in relation to a finding of 50% of all firms in the survey, we can be confident that were we to repeat the survey one hundred times, in 95 instances, the finding would be between 46.9% and 53.1% (plus or minus 3.11% of the survey finding).

Size of firm	Population n (ASR 2013)	Sample size	C.I + / - %
Small (1-4 partners)	8,371	495	4.27
Medium (5-25 partners)	1,249	334	4.59
Large (26+ partners)	186	71	9.17
All firms	9,807	900	3.11

## Contact details

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