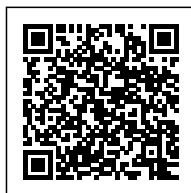


MORE HEADCOUNT REDUCTIONS EXPECTED AT PORTUGUESE FIRMS

Posted on 16/06/2014



Category: [Archive](#)



Firms will continue to 'shed fee earners' despite the early signs of an economic upturn following EU bailout and three consecutive quarters of growth

Despite the renewed optimism being fostered among Portuguese law firms as signs emerge that the economy is recovering, lawyers admit that some firms remain "over-lawyered" and will have to reduce the number of fee-earners they employ.

Market insiders say that, even though firms have been culling significant numbers of lawyers during the last few years of the economic crisis, the blood-letting will continue. One Lisbon-based managing partner, who admits that his firm has reduced its number of fee-earners by 20 per cent in the last three years, says that despite indications that the economic conditions are improving, firms will carry on reducing headcount in the coming year. "We're hearing that firms will continue to shed fee-earners," he says.

Another partner at a leading corporate M&A firm in Portugal says that a younger generation of lawyers are suffering because of firms need to cut costs as fees are reduced. "It's harder for younger lawyers," the partner says. "You can find some very good lawyers on the street in Portugal because firms had to let them go." The partner adds that because of this highly competitive environment, their firm is staunchly opposed to the lockstep system of partnership. "Here you have to eat what you kill," the partner says. "For the sustainability of a law firm department, you need killers – otherwise you can end up with senior lawyers being rewarded without working."

Glimmer of hope

The concerns about the future of underworked lawyers in Portuguese firms come at a time when the outlook for the nation's economy is brighter than it has been for some time after the country's exit from the EU bailout and three consecutive quarters of GDP growth in 2013 (see News Focus p14). Despite this glimmer of hope, partners say that some firms are "over-lawyered" and that bigger firms will continue to "lose lawyers".

However, lawyers that find themselves being forced out of their firm may find success establishing smaller practices. "It is possible to start a profitable one or two partner boutique in the Portuguese market," says Linklaters Portugal managing partner Pedro Siza Vieira. "But it can be difficult for a start-up to break into the top tier as clients expect high quality and connections – it's difficult to break into a market that is not growing as you have to dislodge people."

Upturn in foreign investment

Yet there is still reason for Portuguese firms to be optimistic, with lawyers predicting growth in a number of sectors. PLMJ managing partner Manuel Santos Vitor says: "The expected growth in the economy should also bring in more work for practice areas such as real estate, M&A, capital markets and private equity." He adds that the economy is "clearly recovering" and that 2014 is expected to be a very positive year for Portugal. "Over recent months, we have been witnessing a significant upturn in the interest of major foreign groups in Portugal, in various areas of activity," Vitor says. "Besides the opportunities created by the privatisation programme, foreign investors have been showing an interest in Portugal in other sectors of activity – furthermore, this interest could also boost business from Portuguese entrepreneurs and companies."

However, this upturn in economic activity could translate into a brighter future for newly qualified lawyers in Portugal. Duarte Garin, managing partner of Uría Menéndez's Lisbon office says that with a high volume of work in the M&A, tax and real estate sectors, the firm is strengthening those practice areas and increasing the number of lawyers it recruits from law schools. He adds: "All firms are doing this." Similarly Morais Leitão, Galvão Teles, Soares da Silva & Associados managing partner Nuno Galvão Teles anticipates that his firm will continue to expand as the economy improves. "We've never stopped recruiting and we expect further growth," he says.