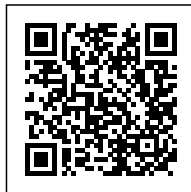


SPAIN'S LABOUR LABORATORY

Posted on 16/08/2008



Category: [Uncategorized](#)



At a time of high demand among both corporations and law firms for labour and employment expertise, Iñigo Sagardoy, managing partner of Sagardoy Abogados, remains confident that his firm will continue to remain at the forefront of issues in Spain.

With the threat of an economic downturn across Spain, labour law is now at the top of the agenda for many companies. The emphasis on ever-greater efficiency is prompting corporate restructurings and the continued transfer of operations across borders to capitalise on lower labour costs.

Accordingly, an increasing number of Spain's law firms are looking to deepen their labour practice profile, and not only to enhance client ties, but also to capitalise on an area of practice which is now attracting premium fees. What was once considered an ancillary area by some, and which could be outsourced to other firms, is increasingly regarded as must-have expertise for those law firms now looking to build a premier full-service offering.

A firm that has stood out consistently among the ranks of Spain's most high profile labour and

employment practices for the past three decades however is niche firm Sagardoy Abogados. Its reputation initially built on the expertise of founder, Juan Antonio Sagardoy, the firm now numbers nine partners and 52 lawyers. Since its establishment in 1980 it has been regarded as at the forefront of labour and employment issues in Spain.

Generational change

Leading Sagardoy Abogados since 2005 has been Juan Antonio Sagardoy's son, Iñigo Sagardoy, since when it has both restructured and significantly expanded.

"The firm was previously a very traditional, family-owned, one, but it was important for it to open up, to develop as a true professional services firm, and to offer all our lawyers a professional career," says Iñigo. "To some I may have seemed young to manage a firm, but I don't feel so young now."

✘ Iñigo joined Sagardoy Abogados having previously spent time in London and having practised in New York. An Iberian Lawyer 40 under 40 Award Winner, he is regarded as a leading practitioner in his own right having developed his practice focus towards employee benefits and executive compensation matters.

Despite the continuing high profile of Juan Antonio Sagardoy, who remains Chairman of Sagardoy Abogados, the firm he founded is now therefore seeing generational change. The appointment of Iñigo Sagardoy as managing partner was the start of a process to refocus the future direction of the firm. Such long-term planning is necessary to ensure stability but also to enable a new generation to take over and to have legitimacy, says Iñigo.

Juan Antonio Sagardoy will stand down as Chairman in 2011 albeit he will remain as Counsel. Iñigo Sagardoy will then become Chairman with the managing partner position subsequently shared by two partners, who will be appointed by the firm's Executive Committee.

Growth

The impact of this change, and Iñigo's leadership, is already evident in the two major strands of Sagardoy Abogados' development strategy: national growth beyond Madrid, and to enhance the firm's international profile.

Significant was the expansion of the firm in June therefore to Seville, giving it a fifth domestic office, following on from previous openings in Las Palmas in the Canary Islands, Oviedo and Barcelona.

"Although there are few if any significant regional differences in Spanish labour and employment law we nonetheless need to have a local presence throughout the country," says Iñigo. "There is increasingly more decision-making power in the regions and more labour issues are therefore focused on the local political context."

Desde su apertura en 1980, Sagardoy Abogados se ha situado entre los despachos más importantes en el ámbito laboral. En un momento en el que las exigencias de los clientes, tanto a empresas como a bufetes, están en su momento álgido –por las operaciones de reestructuración y recolocación para minimizar el impacto de la caída de la economía– el despacho está, sin embargo, experimentando un cambio generacional y viendo su expansión local e internacional. El socio director actual, Iñigo Sagardoy, continúa confiando en que incluso con la perspectiva de una competencia más amplia, su bufete será una excepción al frente del derecho laboral en España.

National expansion enables the firm to be closer to clients (both established and new) and to the bodies promoting regional development initiatives, but the move also enables Sagardoy Abogados to match the expansion of some of its closest competitors, suggest some.

Spain's leading full-service firms, Garrigues, Cuatrecasas and Uría Menéndez, are all now prominent

labour and employment players, which already have established cross-country networks. In addition, many of the international firms – concentrated in Madrid and Barcelona – that once referred their clients' labour and employment issues to Sagardoy Abogados have also begun to develop in-house practice expertise.

Pressures

In terms of the market pressures on his firm, Iñigo acknowledges that they clearly exist. The current international business climate may be placing an increased emphasis on companies' efficiency, and thus raising the importance of labour and employment issues, but Sagardoy Abogados is not feeling any significant new impact from competitors, he insists.

"Over the past five years the big Spanish firms, and some of the international law firms, have looked to develop their labour and employment expertise as it has become more important to clients. Yes we have pressures but they are consistently the same pressures that we have had for a while."

The advantage and the differentiation that his firm offers is specialism, he believes.

"There are other firms with good lawyers, but all of our focus goes towards labour and employment matters. The best quality judge at the end of the day is the client, and generally our clients are very happy. A significant advantage of the practice of this firm is the ability to capitalise on the depth of our internal expertise and training, and through which we believe we are able to cover any quality issues."

✘ Despite the emphasis being placed by some international firms on developing their own labour practices, the very tight focus of Sagardoy Abogados means that it nonetheless continues to be trusted with the internal employment issues of other law firms.

"We have informal agreement with a number of firms to handle their labour and employment issues where they do not cover this as a practice area. But a more significant area of work for us recently has been in dealing with firms' own internal issues."

The recent reclassification of law firm associates from self-employed to employed status – the result of a dismissal case that reached the Supreme court, and in which Sagardoy Abogados advised the defendant Linklaters – has presented law firms in Spain with a significant increase in their own internal labour disputes, he explains. And for which his firm is clearly well-placed to advise.

International profile

Where Sagardoy Abogados already has a clear competitive advantage over many of its domestic competition is in the strength of its international profile, believes Iñigo. "We have made a lot of progress in other jurisdictions, not only in terms of our clients – both companies and other law firms – but also in terms of recognition and awareness."

Fundamental to the firm's international strategic emphasis is the recognition that while the detail of labour and employment issues may be jurisdictionally specific, and unlike transactional decision-making which may be decided regionally, multinationals' major staffing decisions are however invariably made at their headquarters.

"For our purposes therefore it is important that we are able to reach out to the central human resources departments, which may very likely not be located in Spain. We have to get close to those decision-makers, or at least let them know we exist."

Among the firm's target cross-border company clients, decisions affecting, for example, redundancies, collective negotiations, or dismissals of senior executives, all tend to be board level decisions, he notes.

"While companies may have a local lawyer, or regional general counsel, who may be able to act upon local situations it remains the case that the major decisions tend to be taken at central headquarters. Therefore we need a connection. We don't need our own international offices, we are not going to practice Spanish law internationally, but we do need a form of presence in order to be known."


ius laboris

The major means by which Sagardoy Abogados is able to make these connections is through *ius laboris*. A referral network, established in 2001, but which developed out of its existing international referral contacts. It is now considered the pre-eminent independent cross-border employment, pensions and employee benefits-focused law firm alliance.

"We initially contacted a number of firms with which we had worked closely, and invited them to Toledo for discussion, they proved fruitful and the result was *ius laboris*," Iñigo explains.

The practice specific referral network, which began with five member firms, now comprises 36 members across 29 countries and has a permanent representation in Brussels. But despite the simplicity of the idea it was not, Iñigo admits, one that was easy to sell to all the target members.

"We were promoting a very different type of concept, and many firms already had their own and established international referral and relationship arrangements. It was difficult to convince some to operate them through us."

While a noticeable portion of Sagardoy Abogados' revenue (around 10%) is now generated through *ius laboris*, the network's success has not been without issues, he says. 

"Now things are relatively much easier, we are known and we have firms knocking on the door to join. But it is therefore harder to become a member, and to change members. We have consolidated, and in many instances firms have become much more than 'friends'."

The network is currently, for example, in the process of changing its US member, from Seyfarth Shaw to national labour and employment firm, Littler Mendelson.

The membership process is though intentionally rigorous with quality assessment by member firms, and network clients, says Iñigo. In addition, members are required to pay a fee, although costs are not high he insists, with arrangements for both fixed and variable structures based on turnover, and there is an obligation, through the relevant partners, to attend 80% of network meetings and the *ius laboris* annual conference, held this year in Prague.

The success of the network is such however, says Iñigo, that he is able to focus his firm's efforts strictly towards labour and employment issues as they affect Spain. Unlike many of his major full-service domestic competitors, for example, he has full faith in his Portuguese ally – Pedro Pinto Reis & Associados. "The relationship we have had in Lisbon is one of the best established and strongest we have."

Laboratory

But while Sagardoy Abogados may have a relatively simple, albeit successful, international structure the firm's domestic constitution is anything but orthodox. It is a law firm without being one in the traditional sense.


At the heart of Sagardoy Abogados is a company, Sagardoy Abogados SL, to which its lawyers each have individual service contracts. Iñigo admits that the structure of the firm may seem peculiar, but that that its continued success is linked to its lawyers' ability to think differently.

"We are the only law firm we know with this structure because we still believe in the idea of the independent and 'liberal' lawyer professional – and this liberal thinking is entirely compatible with a service contract."

The firm's lawyers therefore have a flexibility of practice but are also able to share and further develop the reputation, collective knowledge and tools of Sagardoy Abogados.

"The firm's lawyers are not required to attain set billable hour targets or to follow specific instructions, so long as the client is happy, each lawyer has their own mobility. I do not follow them around," he says.

The firm also does not also operate fixed hourly rates. The fees charged and individual lawyer's income is dependent on the complexity and outcome of each matter. "Everything is subject to the success of a case. If the lawyer succeeds he gets a greater percentage of the client's fees. If a lawyer doesn't work, or the client doesn't pay, then the lawyer does not get paid," says Iñigo.

The more senior lawyers may act on the more complex, and high profile, matters, but there remains a consistent firm:lawyer income split for all – on average 60:40. 

Such a system, some suggest, is more in line with a lawyer's co-operative and does not appeal to all. Despite the collective expertise and reputation of Sagardoy Abogados the firm has seen potential recruits go elsewhere, attracted by the more structured pay and career trajectories on offer at other firms.

Nonetheless Iñigo remains confident with the structure, as do the firm's current lawyers.

"Sagardoy Abogados is a laboratory for labour and employment issues. If your interest lies in these areas of practise, this is the firm in which you want to practice," says Román Gil, a senior associate at the firm, and who recently joined from another niche firm. "Success is though dependent on the individual lawyer's own skills and ambition. This is not a firm in which you can simply wait for the work to come in, the onus is on you to go out and get it."

"The lawyers we have here are very comfortable with our system. The firm has been up and running this way since 1980 and there is no lack of work," adds Iñigo. "But if things were to change then of course we would be open to considering our options."

In a period in which demand for domestic and cross-border labour and employment expertise is at an all time high, there would seem however to be little current cause for concern. Iñigo is confident therefore that under his lead Sagardoy Abogados will continue to stand out as the notable exception in Spanish labour and employment law.