

The Impact of the COVID Crisis on the Legal Sector

SURVEY REPORT





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Introduction

The impact of the Covid crisis as a change driver in the legal industry is already underway, with legal professionals taking action, and also projecting and planning for changes to come. With no clear end to the crisis in sight, however, many legal professionals are faced with uncertainty as they deal with the challenges of ensuring business continuity today and building business resiliency for the future.

In June 2020, Wolters Kluwer issued the *Impact of the COVID Crisis on the Legal Sector Survey* to assess how the crisis has affected legal professionals today, and what the implications are for law firms over the next year. This report includes insights from 1,866 legal professionals in law firms across 10 countries in Europe and covers four areas related to Covid impact and expected outcomes, including:

- Business Impact
- Managing Costs
- Working in New Ways
- Technology and Investment.





Key Survey Findings

Business Impact

The survey findings make clear that the disruption caused by the global pandemic of 2020 is impacting law firms already, yet even the near-term impact is not fully understood across Europe.

Across Europe, 31% of law firms say it is too early to assess their business outlook for the next year. And while 19% expect no change in their business, 37% of respondents expect a decrease and 13% expect an increase in business (Figure 1).

Of the firms that expect to see a change in business: for those predicting a decrease, most (51%) expect a decrease of more than 30%; for those predicting an increase, most (42%) expect a 10-20% improvement.

Across Europe, many firms are unsure of when business will return to pre-Covid scale, with 45% saying they don't know when this will happen. For those with an outlook on the expected timeline, 43% expect a return to business as usual by mid-2021 or earlier. Specifically, 18% expect business to return to pre-crisis scale by the end of 2020; 9% by early 2021; 16% by mid-2021; and 12% by 2022 (Figure 2).

Figure 1: Law Firms' Business Outlook Over Next 12 Months

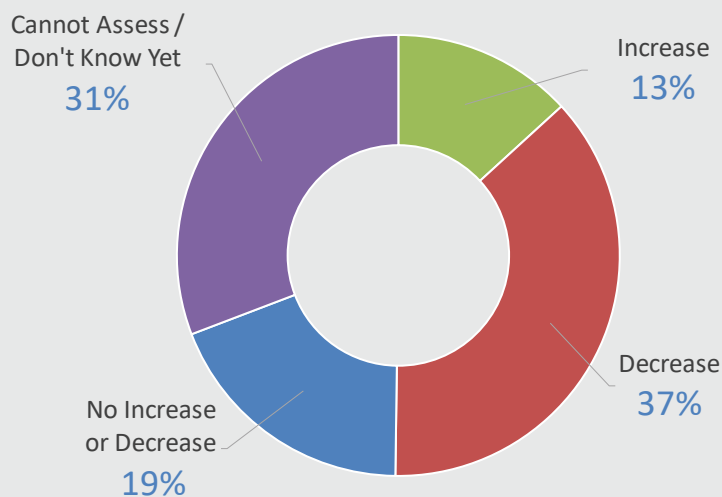
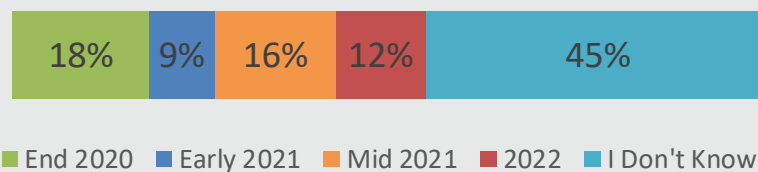


Figure 2: Timeline for Business to Return to Pre-COVID Scale



Across Europe, many firms are unsure of when business will return to pre-Covid scale



Managing Costs

As is true for other industries around the world, the Covid crisis has introduced new cost control pressures for many law firms.

49% of Survey respondents report that they plan to optimize costs in the near future, while 51% say they have no plans to do so (Figure 3).

For those who have such plans, legal staffing (staff, lawyers, counsel) and legal support spending comprise a key area for change, as law firms report they plan to optimize their cost base in terms of:

- Staff: 28%
- Lawyers, Counsels: 18%
- Outsourced Legal Support: 14% (Figure 4)

Along with changes in personnel, 41% project reduced spending on Office Supplies and 38% anticipate a reduction in Office Rent.

Working in New Ways

Across the board, Survey respondents indicate that the Covid crisis will impact the way that legal professionals in law firms work with their colleagues, clients and in the courtroom.

Colleagues: The use of flexible work arrangements will increase, with 52% of law firms indicating that they will work from home more in the future. 62% of legal professionals also say that they will increasingly collaborate remotely with colleagues and third parties going forward.

Figure 3: Near-term Plans to Optimize Costs

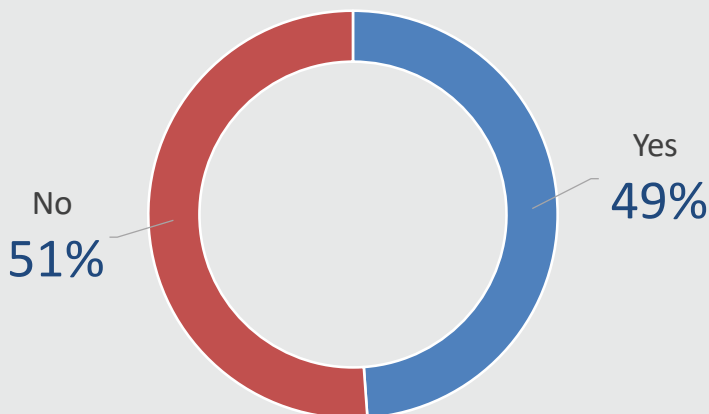
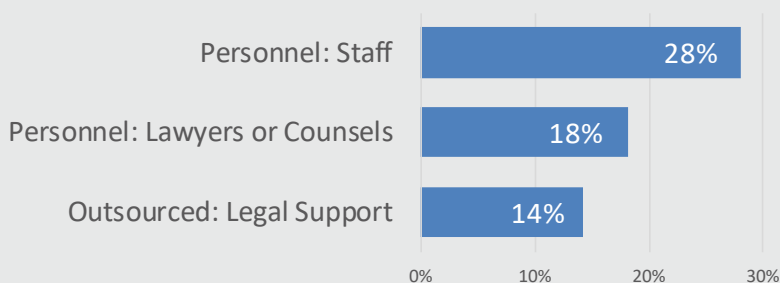


Figure 4: Optimizing Costs Through Staffing and Related Resources



Clients: As law firms strive to advance their client relationships, 66% report that they will improve the way they virtually/digitally communicate with clients.

Courtroom: Most respondents across Europe also see changes to the courtroom coming, with 41% expecting an acceleration of remote, virtual hearings as a new way to interact with judges in the future (Figure 5).

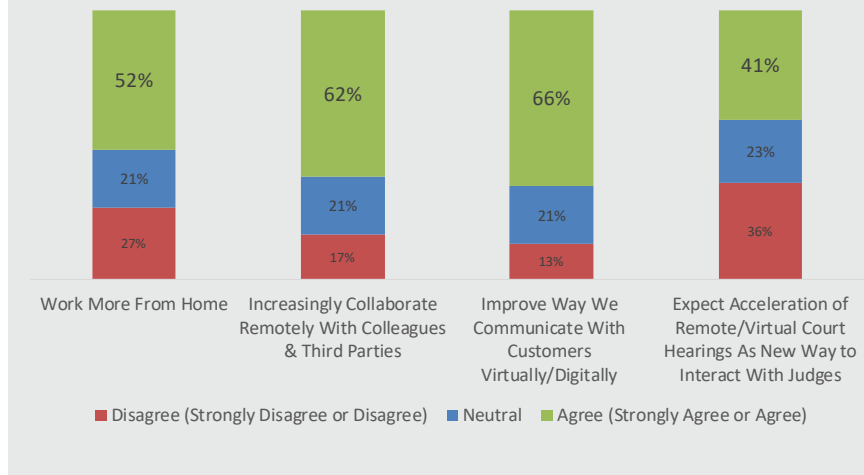
Professionals across Europe realize they need to upgrade their skills to be more effective in a virtual work environment. Almost seven-in-ten respondents (67%) acknowledge they need to improve their digital skills to work remotely, while only 16% do not feel a need to do so (Figure 6). Professionals also say they will work more with different devices; 70% will increasingly use different types of devices such as tablets, smartphones and laptops on the job.

53% of firms across Europe report that they have no plans to reduce internal lawyers/counsels in favor of increasing collaboration with third parties, while 22% say they will do so.

Technology and Investment

The ability to use technology to ensure performance is more important than ever. The Covid crisis made very clear that technology solutions, including legal technology solutions, are essential to business

Figure 5: Changes in Ways of Working



continuity and client service. The importance of technology to business continuity is evident as firms have quickly turned to virtual collaboration and conferencing platforms to support ongoing work with clients and colleagues. Given the increased importance of legal technology, it's no surprise that law firms also plan to continue to invest in legal technology.

56% of law firms in Europe report that their need for legal technology solutions has increased as a result of the crisis (Figure 7).

Figure 6: Digital Skills Need Improvement

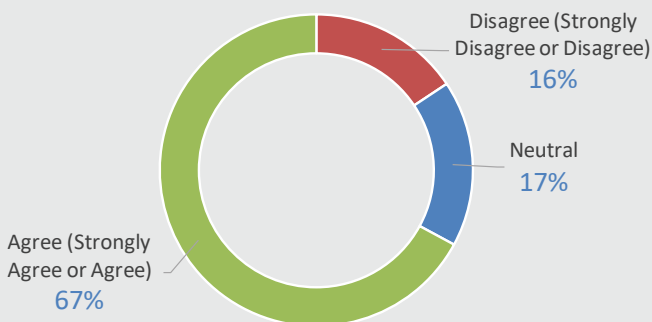
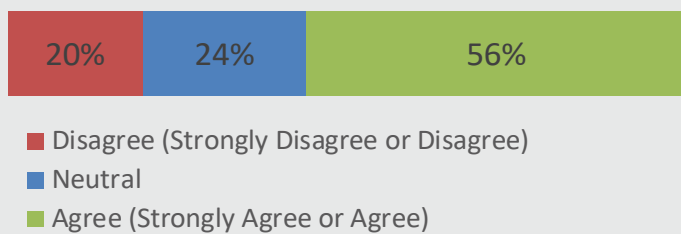


Figure 7: Need for Legal Solutions Increase as a Result of the Crisis





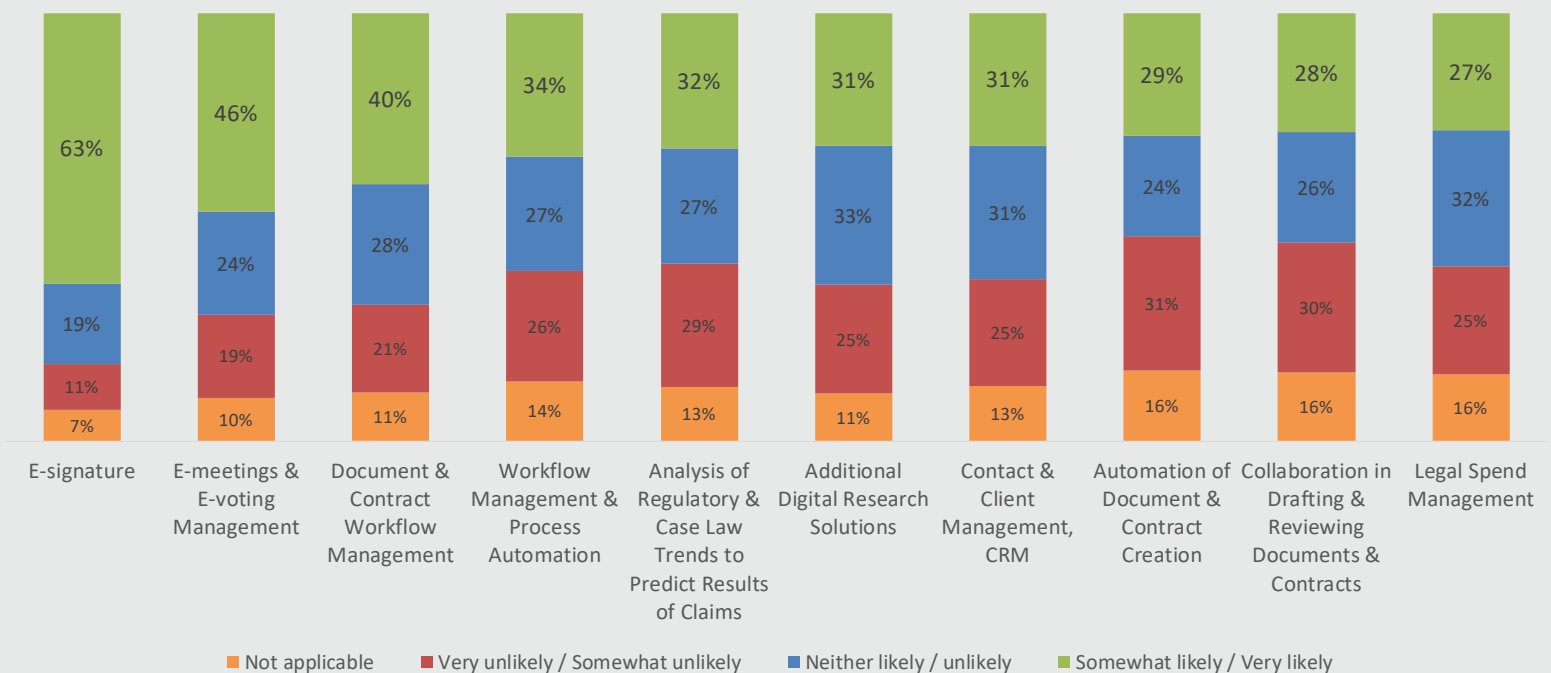
70% of law firms in Europe have increased their use of videoconferencing apps, and 63% report increased use of Skype/Teams.

Looking ahead at investments in software to support legal work, 65% of respondents expect their investment to stay the same (41%) or increase (24%), while just 7% expect it to decrease and 28% are not certain.

The top technologies law firms said they are looking to invest in are technology to assist with:

- e-signature: 63%
- e-meeting and e-voting management: 46%
- Document and contract workflow management: 40%
- Workflow management and process automation: 34%
- Analysis of regulatory and case law trends to predict results of claims: 32% (Figure 8).

Figure 8: Top Technologies Law Firms Will Invest In





Conclusion

While it is clear that the Covid crisis will have long-term impact on the legal landscape, for many law firms it is too early to understand the depth and breadth of that impact. Early indicators show that law firms are cautiously taking steps to manage their businesses today and tightening their belts a bit, while they also look to strengthen their capabilities for the future.

- Nearly half of the Survey respondents are planning to optimize costs in the near-term, with staffing, lawyers/counsel and external legal support under consideration.
- The post-Covid work environment will be different: Legal professionals will work increasingly in a virtual environment post-crisis. The majority say they will: work from home more in the future; increasingly collaborate remotely with colleagues and third parties ahead; and improve the way they virtually/digitally communicate with clients. Most also foresee an acceleration of remote, virtual hearings as a new way to interact with judges
- The majority of law firms report that their need for legal technology solutions has increased as a result of the crisis, and also that their investment in legal solutions will stay the same or increase moving ahead. But digital skills lag, with nearly seven-in-ten professionals saying they need to improve their digital skills – especially as the majority say they will increasingly use different types of devices such as tablets, smartphones and laptops.

Wolters Kluwer Legal & Regulatory

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About the *Impact of the COVID Crisis on the Legal Sector Survey*

The *Impact of the COVID Crisis on the Legal Sector Survey* was conducted online by Wolters Kluwer in June 2020. The data reflects the responses of 1,866 law firm professionals in 10 European countries including: Belgium, Czech Republic, France, Germany, Hungary, Italy, Netherlands, Poland, Slovakia and Spain. The number of responses varied across markets, and the report reflects the tabulation of those results without weighting response rate or market size.