

The Structural Shift: Legal Recruiters On Changes in the Russian Legal Market



Changing of the Guard at the Eternal Flame post in front of the Kremlin in Moscow (Anton Gvozdkov / Shutterstock.com)

“Last year we complained about the slow legal market but remained cautiously optimistic that the worst times would be behind us in 2015. However, facing the reality of 2015, it is now clear that even more challenging times are ahead. The legal market in Moscow is undergoing a massive structural shift – one that will leave it dramatically transformed in the coming years.”

– Dmitry Prokofiev, Head of Legal Recruitment, Norton Caine

The “structural shift” in the Russian legal market that Prokofiev identifies will not surprise anyone who follows it. To investigate how these changes are influencing the lateral movements in the market, we spoke with Moscow-based Dmitry Prokofiev, Head of Norton Caine Legal Recruitment, and London-based Oksana Solomou, who is in charge of Private Practice Legal Recruitment in Russia & CIS for Laurence Simons International Legal and Compliance Recruitment.

Legal Budgets Taking a Hit, International Law Firms Taking a Hit

It is no surprise that a general economic slowdown leads to cost-cutting strategies across the board in business. This of course applies to the budgets of in-house legal departments as well, limiting their ability to use external counsel, which, in turn, negatively impacts law firm bottom lines. As expected, then, Prokofiev reports that “cost-cutting remains a major focus”

for legal departments, and that “clients believe they have been overpaying and are determined to keep their bills down” in the country.

This is also reflected beyond securing client work for law firms. According to Solomou, one of the issues plaguing the Russian market these days is actual collections, with those few firms able to collect as much as 80% of their fees “sounding phenomenal” compared to the market norm.

International firms are the ones feeling the effects of these shrinking budgets the most, according to Solomou. “One of the main aspects shaping the market is the considerable devaluation of the Russian ruble,” she explains. “All of a sudden the actual value of, say, a RUB 1 million budget, has dropped significantly when compared with the rates of international law firms quoted



Dmitry Prokofiev,
Head of Legal Recruitment,
Norton Caine

in EUR or USD.”

At the same time, Solomou reports that as a result of the sanctions imposed on Russia cross-border work has seen “many projects ... put on hold,” while “the pipeline of capital markets assignments have simply disappeared.” The impact has been most keenly felt by the international firms, which traditionally focus on those practices. As a result, according to Solomou, firms are forced to evaluate whether the low fees they’re likely to get are even worth the potential conflicts and “reputational black marks” that may arise from projects.



Oksana Solomou, Private Practice Legal
Recruitment in Russia & CIS,
Laurence Simons International

Simply put, according to Prokofiev, “the golden era of international law firms is gone. Not simply profits, but even survival is no longer guaranteed for some firms.” He adds that “some international law firms are just one step away from major staff reductions and even complete closure of their Moscow offices.” Solomou points out that this process has already started, as a number of Magic Circle firms started making partners redundant as early as last summer.

Which Way to Move?

Promotions are slowing down significantly in international firms in Russia, according to Solomou, who estimates the number of promotions at around 20% of what it was in the past. She adds: “Of course, exceptional talent and performance still needs to be acknowledged, at least financially, but firms are finding it difficult to build an internal business case to HQ to make actual promotions.” The international firms are facing the same difficulty, she explains, in terms of hiring. Even in the case of in-demand practice areas such as litigation, it is hard to sell a hire internally, even in the later stages of the process, “with HQs tending to ask why the lawyers from under-performing practice areas cannot be transferred.” Indeed, with a number of international firms already engaged in considerable downsizings in recent months – and more expected soon – even maintaining the status quo is a challenge.

Go Local

While all firms in Russia are experiencing a major decrease in workflow, not all are suffering equally. Prokofiev notes that the current market situation creates a surplus of qualified candidates with international law firm backgrounds, which allows local firms to quit a long-lasting salary race and talent war with international ones. This is obviously not great news for lawyers looking to move to a local firm – but it does mean that some job opportunities may exist, even now.

Solomou explains that as part of her “consultative” role as a recruiter, when potential candidates ask her what the best approach to moving to a local firm is, she tends to tell them to “just pick up the phone and speak with the relevant MP.” Solomou says, “for the local firms, this is the ideal time to poach excellent lawyers – and the firms are perfectly aware of that.”

Go Private

Another potential route for lawyers in Russia is what Prokofiev describes as a new trend in the legal market – the appearance of Russian boutique law firms. He explains: “International law firm partners leave to form boutique practices. For example, Maxim Kulkov and a team of associates left Freshfields in order to set up a dispute resolution practice called Kulkov Kolotilov & Partners. Another example is Antitrust

On Ukraine

Oksana Solomou shared some of her thoughts about the situation in Ukraine as well:

“The situation is difficult in Ukraine, with the country on the brink of defaulting. There is very little private investment in the market and the risk profile is too high for most investors to even consider a country that is war-torn, scared by corruption, and failed to implement some much-anticipated reforms (which, I am still hopeful will come through soon). Firms reflect this and are trying to restructure and recruitment at a senior level is next to none. The internal message is temporarily set as ‘just survive.’”

There are some practices that are going strong, and firms are adapting to match the refocus towards them, in particular: litigations (and commercial litigation), bankruptcy, restructurings, and white collar crime, while in terms of the bread and butter work firms seem to be focusing more and more on employment and IP (the ‘classic’ IP work – not TMI). In terms of sectors, the one that is showing promising signs is agriculture (pending necessary reforms).

Finally, Solomou commented on the increasing number of Ukrainian senior lawyers moving of into politics [She spoke about them passionately, describing them as “heroes taking up critical challenges in reforming the country on a pro-bono basis.”].

Advisory – a Russian-based law firm, specializing exclusively in competition / anti-trust / trade.”

Go In-house

Finally, “senior lawyers and partners who are not willing to consider a challenge of their own start-up solo practice as the next career step prefer to play it safe and move in-house,” according to Prokofiev. And opportunities exist. Solomou explains that a number of large corporations “are trying to reshape their legal function and use the conditions in the market as an opportunity to attract good lawyers for cheap.” These companies are trying to cut costs by “building a small in-house law firm, leading to a lot more roles open in the market in-house than in private practice.”

Radu Cotarcea