

## **Coronavirus – how was it for you?**

In my role as both a management consultant and pricing consultant to the sector, I spoke to a number of firms in the UK, both members of LawNet and others, over the course of April. They reported similar stories: a significant reduction in both work and fee income, with increased demand for private client services (as clients scrambled to get their affairs in order) and employment law more than offset by the almost complete shutdown of the property market.

I wondered, as the date for the by then cancelled Practice Group days in Edinburgh approached, about how different, if at all, the experiences would have been for Eurojuris members in continental Europe. I knew that one of the key distinctions to draw between most UK law firms and Eurojuris member firms is that many UK firms rely to a significant extent on a healthy residential property market.

Over two weeks in the middle of May I spoke to a number of Eurojuris members about how the pandemic had affected them and their firms, what financial consequences they had seen so far, and what they thought their practices would look like when a some kind of normalcy returned.

### **Czech Republic**

In Prague, Stepan Holub (Holubova advokati) reported that since lockdown on 10 March, they'd been working virtually but with one person attending their office each day. "Since lockdown we've been busy, less so now but initially it was super-busy. At the beginning of lockdown, incoming tourism collapsed, some of our clients from the tourism sector, made all their staff redundant in the belief that it would be year or so before the hospitality sector reopened. We've issued daily press releases to help our clients, doing pro bono work and so on. We've begun to use some of the pricing strategies you've talked about such as pre-pay options. Most of our work is at a similar level to before the crisis", said Stepan. "By and large we're a little more productive working from home though I accept that those with small children might not agree! Luckily, just before the virus, thanks to a company COPS, we had implemented a task-tracking system to manage our work in an agile and fully remote way. Revenues are up a little and I don't expect them to fall significantly over the summer months", he concluded, on what to me was a very optimistic note.

### **Poland**

In Warsaw, Joanna Affre (Affre I Wspolnicy), said that "March was an excellent month for the business, but over the second half of the month we noticed new work decreasing. There was literally no new work in the first half of April - even existing projects were frozen. It was a very worrying time for us, especially as we had taken on new staff in February. But we focussed on two things to help us through the worst of it. One, helping clients navigate the various issues around obtaining state aid during the crisis, and second, our new e-learning platform." Joanna continued "Anti-trust or competition law has been a steady source of work, largely administrative but with some spin-off litigation. Other work has continued much as before the crisis, especially since our lockdown ended a week ago. We now see ourselves as being busy until at least the end of June. And we are cautiously optimistic that will continue – there's a sense here that our clients believe that they just have to carry on!"

### **Holland**

Hans Jonkhout from Amersfoort firm Marree & Dijkhoorn was more relaxed: “March & April were unusually busy, so much that all our lawyers met their targets – which is exceptional. Demand remains strong, not just for legal work but many clients want someone to talk to, a true ‘Trusted Adviser’. May looks likely to be a busy month too. Two of our busiest areas are Labour law and Real Estate – the latter often looking at ‘force majeure’ provisions or mitigation of contractual liabilities”. Recognising that no one can call how this will turn out, Hans added “The Government’s position has moved from ‘stay at home as much as you can’ to ‘do what you must, take care to social distance, and if you can’t stay 1.5 m apart, wear face masks’. If things take a turn for the worse we might look at deferral of taxes, and if we need to we could take advantage of the state’s 90% subsidy of wages, but we’re hoping to keep things as they are.”

## **Hungary**

Over in Budapest, Katalin Szecskay of Szecskay Attorneys told me that since the second week of March, “Most have worked from home because of issues like childcare, but social distancing in the office isn’t difficult because it’s an old residential building with individual rooms. For us the change to this environment was very smooth, and the transition unbelievably quick”. Looking ahead, Katalin added “I’m not sure working from home is here to stay though. I miss the social interaction in the office. We do have a couple of VC calls per week but they are work focussed.” On the financials, Katalin reported “For us, Employment, Data Protection and Restructuring have been very busy. Transactional work is down – we see pent up demand but clients are taking their time, understandably. The pipeline for the next few months looks similar, with Employment & Restructuring looking the busiest. Overall, we’re confident about the next six months, unless there’s a second wave or something similar”. As a precaution, Katalin added “We are deferring a couple of large items of expenditure: indemnity insurance and Bar Association fees. We are hopeful of keeping all staff on full salaries”.

## **Germany #1**

In Hamburg, Axel Ropke at Nordic-focused Sagawe & Klages had been at his Danish summer house when lockdown began “With three children under 10, that made for an easier life than a city centre apartment!” Axel commented “So far we can’t really see any effect on overall demand – we’re doing the same amount of work but with less time available to do it in. We had an initial surge in demand for Labour Law advice which has settled down. A couple of projects were cancelled at lockdown or shortly after, leading us to expect a peak in demand after the summer. Real estate is steady because the people who have money still want to do deals. In my field – renewables – there would be more work if there were more assets available.” Axel concluded “Overall the impact of the pandemic hasn’t been significant for us as a firm. It has for others more exposed to B2C or hospitality & tourism. Firms that have laid off swathes of paralegals have had a really bad press in Germany”. Remembering perhaps a previous conversation, Axel added “We are trying to ‘price the client’ rather than price the job, knowing that some but not all our clients need help and support from us at this time. We are also getting our invoices out more quickly than we used to.”

## **Finland**

Moving from the Nordic to the Baltic, I next spoke to Eljas Vesterbacka from Helsinki’s Teperi & Co. Eljas began by describing the process of adaptation “We had a smooth, easy transition to working from home, where we’ve been since mid-March. We have two or three people in the office every day by rotation with social distancing. Like many I miss the social interaction and *real* meetings. Video conferencing works well with people you know well. I’m sure it has its place in the world to

come where there'll be a mixture of home & office working." Eljas reported that "Work has held up well. New regulations were introduced a couple of months ago which make it harder to get bankruptcy orders if the reasons for insolvency are Covid-19 related and didn't exist before March. Insolvency work is nonetheless strong, as is Employment. M&A work is stable, and though some projects have been put on hold others are proceeding as normal. New opportunities are arising in sectors like health, for the strong to acquire the weak. I expect it to be tough in the mid-market for the next six months." On the financials, Eljas added "Cash management here is good. There are some slow payers for example in litigation but we're being proactive – there's no room for complacency. We haven't got as far as we should have with pricing – we don't really 'price the client'. We will certainly look at offering discounts for payment up front."

## **Luxembourg**

Lars Goslings at Lextrust painted a different picture: "I've attended the office almost every day. I prefer the change of scene and enjoy that there's no traffic! For the past eight weeks I've done no networking and no 'winning & dining' (which is very much a part of business culture in Luxembourg). We're going to feel this in the summer or later. I miss seeing people, including clients, and that I used to travel abroad on average once a week. Video conferencing doesn't work so well with new clients and new projects." Lars admitted that they weren't at all ready for this: "We had no strategy to deal with a crisis like this. But on 16<sup>th</sup> March it was 'let's get this in place urgently' and we've adapted quickly. I'd say we're working well but within the limitations I've talked about". While cautious about the medium-term impact of the crisis, Lars added that for now "Advisory work around state aid is of course busy. Redundancies have begun and we're getting a good amount of local work which is unusual for us as we usually get so much of our work from abroad."

## **Germany #2**

Stefan Daubner in Dusseldorf (Busekist Winter & Partner) had been alternating working from home with working in the office. He said that "Business has been busy, we've had a flood of quite small stuff that's urgent. A lot of this has been Employment law, advising on 'short work' which is a similar scheme to the UK's furloughing. Landlord & Tenant has been busy too, largely involving non-payment issues, though in the current crisis a lease cannot be terminated for non-payment." Turning to the finances, Stefan added that "Our fee income is holding up for now. March saw a few clients delay payment but April was very good and May-July looks good too. Our concerns are about the period from August to October. Corporate work is slowing, new incorporations have mostly been shelved and we've had no new cases from abroad, which is often 50% of our work." Looking ahead, Stefan had this to say "We are small enough to be nimble in our decision making. We had cash reserves going into this and are now forecasting cash flow better than we used to – but not as well we could! It's too soon to express confidence about the second half of the year. One of the difficulties we have here is that with 16 constituent states, each having considerable autonomy, rules on lockdown vary from state to state as each state comes up with its own solutions to the pandemic. I don't see 'normal' returning until we have a vaccine."

## **Portugal**

On the day I spoke with Porto-based Pedro Sa, of PRA Riposo, Sa Miranda & Associates, he had enjoyed his first restaurant lunch since the lockdown had begun, making me not a little envious! Pedro described how it had been and how it was at their offices "For the past couple of months we've had just two people attend the office each day. Now we have about 50 out of 140 in by rotation, with full physical distancing, mask wearing being mandatory, and clients are discouraged

from visiting the offices – if they do they have to use hand sanitisers on arrival, wear masks, drinks are given to them in disposable paper cups, and then they are asked to sanitise again before leaving. Paperless working habits are fundamental now.” Pedro was keen to hear how others are adapting their offices and practices as lockdowns are eased. In terms of work, “We didn’t experience any significant drop in revenues during March & April. We’ve budgeted for various levels of impact (of the virus) on firm revenue and so far we’re performing above all of them. Like others we’ve created a ‘Covid-19’ desk to offer help to clients with the dozens of pieces of new, virus-related legislation. Demand for those services has been strong, as has demand for Labour law.” But looking ahead, Pedro added “We’re worried about the coming recession and its impact on the demand for legal services, and we’re looking at our costs from stationery through to premises. There’s also the intangible effect of working from home – what is this doing to the firm’s sense of cohesion and team-spirit? What’s it doing to each team? We won’t know the answer to those questions for some time.”

## UK

At Hull’s Stamp Jackson & Procter, Simon Gittings was perhaps grateful that his firm don’t follow the traditional UK model, one that’s heavily reliant upon residential conveyancing. “We don’t do conveyancing, except for business clients and housebuilders”, he said. The latter had slowed down but this was seen by clients as well as Simon as a cash flow rather than a revenue concern, “Our clients have budgeted for a pick-up in Q3 and we think they’re right”. Routine Commercial Property, no more than 5% of turnover normally, was now very quiet with little sign of a material upturn anytime soon. After a strong end to 2019-20, budgeting for 2020-21 was complete and conservatively prepared. While the looming recession may see revenues in some types of transactional work fall by up to 20%, that’s balanced out by relatively recession-proof work in other areas. Some redundancies are inevitable but not all due to the effects of the pandemic. “One of the effects of working from home, in which productivity has risen if anything, is that we can now see that we don’t need all the support that many claimed was essential only three months ago. We may have to lose some good people as result, which is very sad. There will be opportunities too, to recruit lawyers who might not have considered working here before the pandemic, but who can now see our location either as a positive or at least not an obstacle.” Simon added one final thought “We think there are firms in the UK blowing smoke – talking performance up but not facing the economic impact that Covid-19 will have, one that firms won’t be immune to.”

Where does all this leave us? There’s no doubt that for the majority of UK law firms (it’s very much the same in Australia and New Zealand, by the way), the sudden loss of revenue from both residential and commercial property has been severe, offset to a degree by increased demand for private client and employment services. Every law firm that I have spoken to in the UK has taken advantage of the government’s furlough scheme, and some would have failed without it. There is perhaps a sense now among some UK law firm leaders of having overcome the initial economic shock, and, as the residential property market slowly re-opens, of preparing for the recession ahead.

In Europe the business model of most Eurojuris member firms is less consumer focused, with many being exclusively B2B operations. For many, there was little discernible financial impact during lockdown and a relatively smooth transition to working from home. As lockdowns began to be eased across the continent, it was encouraging to note that most interviewees were cautious about what lies ahead. There’s going to be a recession across Europe and it would be folly to believe that law firms will be immune to its effects.

Adjusting back to office-based working for at least some staff won't be easy with the safety of colleagues and clients paramount. None of us know what the 'new normal' will look like, and its probably safe to say that until we have a vaccine or effective treatment, we won't be going back to the old normal. What I took from all those I spoke with was a sense of cautious optimism about the future, with no room at all for complacency.

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Nigel Haddon

Pricing Consultant Burcher Jennings

Legal Pricing & Costs Consultants

Mobile : 07753 605236

LONDON • BIRMINGHAM • BRISTOL • CARLISLE

a. 25 Southampton Buildings, Chancery Lane, London WC2A 1AL   a. Clifford Court, Cooper Way,  
Parkhouse, Carlisle, CA3 0JG, Carlisle CA3 0JG

t. 0870 7777 100   e. [mail@burcherjennings.com](mailto:mail@burcherjennings.com)   w. [burcherjennings.com](http://burcherjennings.com)   dx. 7300300 Carlisle

