

# LARGE UK LAW FIRMS AND THE ETHICS & PRACTICES OF ONSHORING

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*“Onshored lawyers are often content with their work and have left London for personal and professional reasons. But they are also well aware of, and highly reflective on, their subordinate status as regards the London office.”*

Emily Carroll, Birmingham Law School

While many law firms have historically used Legal Process Outsourcing to send legal work to third party overseas providers of legal services (for example, a document review centre based in India), concerns about quality, control, and what is and is not able to be outsourced, may partly explain the move towards onshoring as an alternative form of LPO. Onshoring (also known as near-shoring or north-shoring), the opening (for the first time) of satellite offices in the UK (but outside of London) by large elite law firms, is interesting both as an example of functional shifts in how those law firms operate in the UK but also as a vehicle through which to explore professional identity and ethics.

Some onshored employees (often graduates of local, ‘good-enough’ law schools unable to gain access to the City) are permitted

entry to these global, elite law firms, but their status, their position, and their work in the onshored office is lesser. For other onshored employees, onshoring is an insight into the move by City law firms to harness the potential of their alumni who, for various reasons, wish to leave London.

Our empirical study explores what it means to work in an onshored office and asks some hard questions about certain practices we uncovered. While onshored lawyers see many benefits to their onshored lives (top-tier quality work, a better work-life balance, and the cachet of working for global law firm X over local firm Y or national firm Z) our project also shows the ‘othering’ of that onshored work: not quite London, not quite local; good quality but not the *best* quality; close and yet different; similar but not quite the same.

## THE PROJECT

In 2015, we undertook 25 interviews with solicitors and partners working in onshored offices (from an onshored population, according to Law Society databases, of 130 solicitors). These 25 interviews split across the 7 onshored offices open at the time. We also conducted a literature review of onshoring/LPO, and did an extensive media search of the legal press.

Our interviews focused on three broad questions.

- First, the factors that had led these global law firms to open an onshored office.
- Second, how these firms ensured consistent quality in working practices between the London and onshored office.
- Third, how working practices in the onshored offices compared to traditional practice; and what had influenced our interviewees to practice in the onshore office.

## WHY DO LAW FIRMS ONSHORE?

The move by global law firms to onshore can be broadly categorised as a response to the following pressures and demands: (i) client demand for more competitive pricing (ii) an intention to cement a geographical nexus with clients; (iii) a shift in client attitudes towards risk; (iv) an expectation of innovation by elite firms; and (v) to drive efficiency and cost-saving in those firms. Devolved governments and regional authorities have also been keen to solicit elite law firm offices in their areas.

Onshoring allows for closer control and quality assurance than LPO. As the press

release for one onshored office noted, one “critical differentiator between Belfast and Manilla is Belfast’s ability to produce higher-level services” and therefore better integrate into the global firm’s core practices. The physical proximity of these offices is said to make it “much easier” for London lawyers to engage with staff in that onshored office by “simply getting on a train to go the Manchester” rather than “getting on a plane”. This conveys the impression that the regional hubs are within arm’s reach (and firm grip) of the head office.

*I think as ever you’re client-driven. There’s a lot of pressure from clients on fees and major clients of ours were saying ‘We’ve got no problem with you, you’re going to be one of our top three law firms – that’s not going to change, but we need to see you reducing your cost base and passing that benefit on to us because we are under tremendous pressure ourselves internally to reduce costs’. [Interviewee 10]*

Onshoring also opens up alternative pricing and fee options which allow elite firms to retain profit that might have gone elsewhere.

*I can’t remember how [the move to onshore] was sold, but every dog in the street knows it was set up to increase partner equity. All these big law firms, they aren’t charities, they only do work to increase PEP and it’s spun a thousand ways. [Interviewee 3]*

## WHO ONSHORES?

Law Firm	Onshore Office	Year of Opening
Herbert Smith Freehills	Belfast	2011
Allen & Overy	Belfast	2011
Simmons & Simmons	Bristol	2012
Ashurst	Glasgow	2013
Baker & McKenzie	Belfast	2014
BLP	Manchester	2014
Hogan Lovells	Birmingham	2014
Freshfields Bruckhaus Deringer	Manchester	2015
Latham & Watkins	Manchester	2015
Norton Rose Fulbright	Newcastle	2016
Clifford Chance	Newcastle	2018

## **FORMS OF ONSHORING: MATTER MILLS AND LONDON-LITE OFFICES**

We do not think it is possible to speak of homogeneity in onshoring. Instead, the onshoring structures adopted by the different firms fall broadly into two groups: those we call ‘Matter Mills’ and those we call the ‘London Lite’ offices.

### ***LONDON LITE OFFICES***

The London Lite onshored offices have a billable-hours model, utilising financial targets for individuals and teams. These onshored offices generally seek to closely align themselves, the quality of their lawyers, and their work with London, describing themselves as ‘an extension’ of the London office. London Lite offices, and London Lite lawyers working in those offices, are keen to be affiliated and recognised as a smaller, ‘mini’ version of London.

### ***MATTER MILLS***

By contrast, the Matter Mills have largely replaced the traditional legal structures found in their London office. Gone are financial targets for individual lawyers. Instead, the focus is on the collective success of the team. A higher proportion of the workforce in Matter Mills (at least 50%) are sourced from a ‘pool of legal professionals’ who have a law degree but who may, or may not, be legally qualified, and who are supervised by practising solicitors.

*“Onshoring can be seen either as a relatively simple organizational change to the shape of the profession, or, and perhaps more importantly, we can and should see that change as part of a radical reorientation of a division of labour and of what it means to be a profession and a professional.”* Steven Vaughan, University College London

A recurring theme from interviews with those working in Matter Mill was the sense that the onshored office was subordinated to London. This subordination manifested in different ways for those onshored lawyers, including: their (lack) of career trajectory; their reluctant acceptance that there simply is no career progression available; observations about the disparity in wages between lawyers in London and the onshore offices; lack of visibility (with the onshored office and/or lawyers not on the firm’s website); the sense that their global firm was profiting from their ‘othering’; and that the London (or other global) office was their client in place of traditional client relationships.

### **FEES & LOCATION AGNOSTICISM**

It was suggested to us that as long as the client was paying what they expected to pay, and the work was of good quality, the client “probably wouldn’t care where their work was being done from” [Interviewee 13]. In some cases, firms appeared to avoid transparency on costs:

*Now, there are other teams here in [the onshore office], and their whole ethos is the opposite, it’s ‘We won’t tell the client where the work’s being done and we’ll do it in [the onshored office] more profitably than if we did it in London, but we charge the same regardless’.* [Interviewee 17]

Some of our onshored interviewees had London telephone numbers and a London office location in their email signature. When we asked if clients knew where their (onshored) lawyer

was based, a strategy was revealed that by “not distinguishing between the two offices” it prevented clients from “chipping at the fees that they’ve already get agreed”. [Interviewee 9]

The prevailing view was that, once quality is ensured, clients are effectively “location agnostic” [Interviewee 19], so that whether the work is carried out “in the Shetland Islands or [onshore] should be irrelevant to them”. [Interviewee 5]

We are uncomfortable with the idea that those working onshored might be being charged out to (unsuspecting) clients at London rates for work which costs (because of salaries, office space and overheads) only a fraction of the London office costs. This may be good business for the law firm, but seems (at best) rather disingenuous.

## **PROFESSIONAL IDENTITY AND FIRM RELATIONSHIPS**

Almost all the onshored lawyers we spoke with were pleased with the benefits of working locally while having access to global quality work (and receiving higher salaries than their peers working in the same city but for local/regional firms). However, there was also an air of resignation amongst many of those working in these onshored offices that the *most* complex and *most* interesting work is kept in London. There was notable anxiety amongst interviewees about the perception that they worked in the ‘back office’, even though we never used that term with any of them.

*The worst phrase you can use to describe this place [is], the ‘back office’, because that will just aggravate so many people here – but it is, certainly it feels like for us – [that getting] involved in the pitches that are done at a much higher level [...] makes us feel we’re much more part of the London team.* [Interviewee 1]

Over half of those we interviewed identified the London office of the firm as one of, or their main, ‘client’ (raising interesting legal and professional ethics questions) and there were lawyers in all of the onshore offices agreeing that the “the partners in London are the hands that feed me” [Interviewee 15]. We wonder if onshoring is leading to a category of sidelined lawyers whose professional development and futures are different to (and lesser than) lawyers in the London HQ. Here too we were struck by the differences (through data provided by the Law Society databases and on law firm websites) in the number of women associates in the onshored offices compared to London; 62% (onshored) compared to 53% (London). One Matter Mill office was entirely staffed by female lawyers. We find that remarkable.

## **ABOUT THE AUTHORS**

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## **REFERENCES**

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