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**BRIEFING - 4Q07 legal staffing growth update***Two big players report modest 2007 growth*

Craig Johnson

**STAFFING INDUSTRY ANALYSTS  
BRIEFING****Event**

Two large players in the legal staffing segment - MPS Group Inc., which operates its Special Counsel legal division, and Hudson Highland - reported full year 2007 organic growth of 1% and 4.7% (estimated) respectively. We estimate overall growth in this segment was 7% in 2007 and will remain at that level in 2008.

**Background and Analysis**

MPS President and CEO Tim Payne said in a conference call with analysts that Special Counsel saw an up tick in large document review projects which boosted results for the fourth quarter.

"For right now the market is pretty good," Payne told analysts. "But it's a very unpredictable market, you never know when the big cases are going to come up , you never know if they're going to settle early and some of the document review will not be needed."

Payne said MPS is ready for when the cases come along, although there's a cost associated with the preparedness. "The nice thing about (the legal) business is that when the business does come, the margins tend to be pretty good and there tends to be not a lot of cost of sales associated with winning those," he said. "Overall it's been a very good business model for us. We feel pretty good about it going into 2008, that the document review market is going to be pretty good."

MPS made several legal staffing acquisitions during the year. The company said Special Counsel's fourth-quarter revenue rose 31% including those acquisitions; excluding acquisitions, revenue rose 10%.

However, Hudson Highland Group Inc. Chairman and CEO Jon Chait said in a conference call with analysts that its specialty units saw little change in demand in the fourth quarter. The company counts its legal division among its specialty units as well as its financial and information technology divisions.

Kelly Services Inc. CEO Carl Camden said in a conference call with analysts that his company's legal division posted improved year-over-year revenue growth in the fourth quarter when compared with year-over-year growth in the third quarter.

Camden said demand is strong for higher skilled temporary workers and those in the professional and technical segments.

"In this environment, employment opportunities for those with a college degree are exceptionally good," he said. "Hiring continues across the vast majority of disciplines, including education, healthcare, finance and law, just to name a few."

Renee Loheed, managing director of Exclusively Legal, said legal staffing has been growing steadily for the last five years and she said her company expects double-digit revenue increases in legal staffing this year.

"I think there's a continuous need for specialized legal talent," Loheed said. These areas include intellectual property and technology law. Exclusively Legal is part of the privately held Eastridge Group of Staffing Companies.

#### **Staffing Industry Analysts' Perspective**

Data for this segment is limited because of the relatively small number of market participants, and revenue can be choppy because of the project-oriented nature of the business. Nonetheless, based on our analysis of available information, we believe this segment is seeing growth of about 7% and expect business will continue at this level through 2008. That's well below historical growth rates, but not bad given the economy. Both MPS and Kelly Services noted some improvement in the fourth quarter versus the third, but at this point we do not believe that indicative of a change in existing trends.

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