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FROM PYRAMIDS TO DIAMONDS: LEGAL PROCESS OFFSHORING, EMPLOYMENT SYSTEMS, AND LABOR MARKETS FOR LAWYERS IN THE UNITED STATES AND INDIA

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In this article, the authors argue that offshoring of legal work from the United States has contributed to the fracturing of the long-established internal labor market arrangements in large U.S. law firms. Drawing on evidence from the United States and India on legal employment, the growth of offshoring, and the rapidly changing nature of work that is offshored, the authors contend that the changes in employment systems in law firms are likely to be permanent, in contrast to other researchers who suggest they are temporary adjustments to the financial crisis. As U.S. law firms are dismantling their internal labor market systems, Indian law firms are partially recreating them.

The legal services industry and the U.S. labor market for lawyers is changing, especially after the financial crisis. Both the academic and the trade literatures (e.g., Henderson 2008a; Bull and Furlong 2011) have highlighted a number of key trends. These include the sharp declines in revenues and profitability after the financial crisis, law firm bankruptcies, changes in business practices to reduce costs through technological solutions (e.g., e-discovery software), and the rise of new low-cost firms such as LegalZoom that specialize in the web-based delivery of legal services. Attention has focused particularly on the layoffs of lawyers for the first time in half a century, the deferments in lawyer hiring, and the overall declines in industry employment. Finally, some researchers have focused on the consequences for labor and education markets, notably increased discontent among current law

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students, various experiments to reduce the costs of a legal education (Tamanaha 2012), and a precipitous (and alarming) decline in the number of students taking the Law School Admissions Test (LSAT)—from a high of 171,514 students in 2008–2009 to only 101,689 students in 2014–2015.

These changes have spurred debates. On the one side are those who see these changes as temporary adaptive strategies by law firms that will return to path-dependent ways of structuring employment once the economy recovers. They acknowledge the upheavals after the crisis but cite the rapid rebound in large law firm profitability in 2011 and 2012 as evidence that things are returning to "normal." This is best exemplified by Burk and McGowan, who suggested that "the current downturn has simply laid bare and compelled greater responsiveness to circumstances and economic forces that have been building for some time. . . . we believe that these phenomena will drive some *evolution* in the structure and practices of the large law firm, but they do not threaten the viability of the basic form" (2010: 2). Similarly, Currell and Henderson noted that "the current law firm model, despite some recent evidence, appears to be thriving" (2013: 16) and that "the change is more likely to be an evolution rather than a revolution" (ibid.: 2).

On the other side, those arguing in favor of a transformation (e.g., Regan and Heenan 2010; Ribstein 2010a) highlighted changes in many aspects of the industry, as well as the loosening of the internal labor market (ILM) model (Galanter and Henderson 2008). Ribstein (2010a) hypothesized that the recession spells the end of "big law" (large law firms) and their particular employment model, and Lippe (2012) suggested a "new normal" world characterized by two-tier law firms. Our argument is consistent with these views, and our distinctive contribution is to focus specifically on one issue: the contribution of legal process offshoring (LPO) to the transformation of the ILM employment model that is characteristic of U.S. law firms.

Using theory about the formation, transformation, and dissolution of ILMs (Doeringer and Piore 1971; Osterman 1994; Grimshaw and Rubery 1998), we argue that the changes in the employment systems in large law firms are likely to be permanent because they imply a fracturing of the ILM-based employment model (i.e., the Cravath system) that has been the dominant mode of structuring employment relationships in large law firms since the 1920s. Specifically, we highlight the variety of strategies adopted by law firms that weaken the mutually re-enforcing linkages among elements of the ILM model, and crucially, we hypothesize that a surge in LPO (the offshoring of a large range of legal work) after the financial crisis to a "reserve army of labor" in India and other countries, who work at roughly 20% of U.S. costs, has increased the redundancy of first- and second-year associates in large law firms (the typical ports of entry), thus fracturing the Cravath system. Hence, the typical large U.S. law firm is transforming from its current pyramid shape to a diamond-shaped configuration with fewer entry-level associates and a larger number of mid-level contingent non–partner-track attorneys. To demonstrate this, we draw evidence from both archival and field research in the United States and India.

Our analysis is relevant to a number of debates. First, as Sako (2013) aptly noted, we know relatively little regarding the impact of globalization on a high-skill, high-status profession that is characterized by a high degree of occupational closure (i.e., entry into the profession is controlled through education and/or occupational licensing requirements) and market closure (i.e., only lawyers trained in the United States can practice law or own law firms there) (Abel 1997). Second, in the context of the broader debate about what kinds of work can be offshored (e.g., Blinder 2006), some have argued that professional work, involving the use of tacit knowledge and nonroutine problem solving requiring divergent lateral and critical thinking (Sako 2013), is less susceptible to offshoring. The offshoring of legal work described in this article also breaks the preconception that lawyers' work is intimately bound to the political and juridical systems of each country and is, hence, not offshorable. Finally, declines in the U.S. labor market for lawyers is socially significant given that the legal profession, which has grown steadily for almost a century, has been a pathway to the upper middle classes for many Americans.

The few studies that have been done on the effect of globalization on professional occupations vary in their conclusions. Morgan (2006) suggested that the offshoring of engineering services has caused median salaries for engineers to remain constant between 1995 and 2005. Pounder (2006) studied the offshoring of both accountant and radiology work; he found no evidence of job declines for accountants but found that the offshoring of radiology work shrinks the job market for diagnostic radiologists relative to interventional radiologists. Thus, we have limited evidence regarding the employment structure responses of high-skill, high-status professions to globalization.

Development, Transformation, and Dissolution of Internal Labor Markets at U.S. Law Firms

A well-established literature is available on the rationale for and characteristics of ILM strategies for structuring employment. Briefly, Doeringer and Piore (1971) suggested that ILMs are formed to promote economic efficiency because of their ability to develop firm-specific skills, to draw on those skills over time, and to identify people for promotion (job ladders). These arrangements help insulate the employment of skilled employees from the pressures of the competitive product and labor markets and serve to ensure an adequate flow of skills inside the firm while promoting loyalty (Cappelli 1995). Osterman (1994) and Grimshaw and Rubery (1998) expanded the concept of ILMs beyond just the ports of entry and job ladders emphasized by Doeringer and Piore to include forms of payment systems, job-classification systems, employment security, and the deployment of labor because they constitute, in Osterman's terms, a "set of rules that fit together in a logical system" (1994).

The development of the employment model in large U.S. law firms, called the Cravath system (after the founding partner of the firm Cravath, Swaine,

and Moore LLP), is a fairly classic example of a closed ILM (Wholey 1985). As Sherer and Lee (2002) suggested, the key elements of this model include ports of entry at which graduates from elite schools are hired, are paid the highest industry salaries, are trained intensively for a six-year period, and then undergo an "up or out" tournament in which only the best associates are promoted to partner. Salaries for these cohorts of young associates generally move in lock-step, the promotion percentage is fixed, and the rules are relatively transparent. Given that the intellectual capital of the firm is what establishes its reputation and determines revenue and profitability, this model of human capital development became an industry standard that was widely copied (slavishly,[1] in the opinion of some critics) by most, if not all, the large firms (Gilson and Mnookin 1989; Galanter and Palay 1991; Henderson 2008a). This model was reinforced by the practice of "billing by the hour" (Ribstein 2010a), a mechanism for evaluating performance as well as convincing the client how much time was spent on his or her behalf. This employment model contributed to law firm growth through the mechanism of leverage (the ratio of associates to equity partners).[2] As the partners in the large firms garnered more work, they had one or more associates working for them. Galanter and Palay stated that "firms will tend to grow (at least) exponentially" if "each firm's promotion percentage remains reasonably constant" and leverage ratios remain the same (1991: 103). This resulted in the pyramid shape or the inverted-funnel shape (Galanter and Henderson 2008) of the typical large law firms during the last three decades.

The widespread decline in ILMs in the 1980s and 1990s in a range of manufacturing industries in the United States and United Kingdom has been debated and documented by many researchers (e.g., Eyeraud, Marsden, and Silvestre 1990; Cappelli 1995; Grimshaw and Rubery 1998; Jacoby 1999). Cappelli (1995), in his broad-ranging review of employment systems in the United States and United Kingdom, argued that, in general, the circumstances that helped forge the ILMs that buffered jobs from market pressures were changing and firms are relying increasingly on market forces to manage employees.

How do ILMs change? Osterman (1994) argued that the drivers of ILM change can be found across three "rings." The inner ring represents changes in ILMs driven by performance considerations (e.g., cost, profitability, and technological development). The middle ring consists of changes driven by social processes that produce ILM rules inside the firm (i.e., "customs, norms, and policies"), and the outer ring reflects changes driven by the pressures from external labor market policies and institutions (such as laws

[1]A description ascribed to a Proskauer Rose partner, by Henderson (2008b). Galanter and Henderson (2008) placed the origin of the Cravath model in the early 1920s, and Sherer and Lee (2002) suggested it dates from the late 1880s. Meyer and Rowan (1977), referring to how widely adopted this model was among large law firms, noted that it has become an institutional myth.

[2]In the top 25% of the Am Law 100 largest firms, leverage ranged from 4.96 to 8.49, whereas in the bottom 25% of the 100 firms, leverage rates ranged from 1.89 to 3.55. My interviews with law firms suggest that many use a rule of thumb of three (i.e., associates generate three times their cost).

and unions). In explaining the dissolution of ILMs in the 1980s and 1990s in manufacturing, Osterman placed primacy on the inner ring as the key driver of change.

The 1990s witnessed some adaptation of the Cravath system, driven by increased demand and intense competition for elite law graduates. Sherer and Lee (2002) documented the growth in the lateral hiring of partners, the hiring of lower-paid non-partner-track associates, and the expanded use of contract lawyers. Henderson (2008b) suggested that many firms changed their compensation strategies from lockstep to rewarding rainmaking partners and high-performing associates differently. This also resulted in the "de-equitizing" of the nonperforming partners. Along with the growth of nonlawyer managers such as marketing directors, these changes led Galanter and Henderson to conclude that "the large law firm has gradually transitioned from the classic promotion to partner tournament model characterized by a stable and reliable set of rules that limited the options of both associates and partners, to a more 'elastic' mode. A key consequence was the change from the 'funnel shaped' or *pyramid* form to a 'pitted fruit form' with a firm 'core' of owner partners, and a fleshy 'body' of all types of partner and non-partner track employees" (2008: 38, our emphasis).

The other elements of the Cravath system remained important to the large firms, however, even as the traditional drivers of firm profitability were under stress in the early 2000s (Jones 2010; Medici and Alber 2010). For example, Cravath, Swaine, and Moore LLP raised salaries for entry-level associates from $95,000 in 2000 to $160,000 in 2006, setting the industry standard. Simultaneously, productivity was declining because of associate pushback against "unsustainable" billable hours,[3] costs were increasing because of new technology, and firms struggled to maintain leverage. Firms therefore resorted to raising their billing rates to maintain profitability. Jones (2010) argued that, prior to the great recession, firms were raising billing rates at an average of 6 to 8% per year. The employment picture for new lawyers remained positive, however. Table 1, which lists the employment trends between 2000 and 2012, shows that until the financial crisis in 2008, fully 89.9% of new lawyers found employment and that 75% were employed in jobs that required passing the bar exam. Thus, until the onset of the financial crisis, the legal-services sector had not yet witnessed a fracturing, only a loosening, of its ILM model, a story that is consistent with Osterman's prediction.

In contrast to Osterman (1994), Grimshaw and Rubery suggested that "changes that take place in a firm's ILM structure occur as a net result of transformations in each of the three rings" (1998). Our key argument, however, is that the third ring (the external labor market) has exerted a decisive influence. The important changes here are the sudden availability of a new

[3]Average billable hours in 2008 were 2,042, a decline from the 2,066 in 2007, and billing-hour requirements are lower than those of 1998 according to data from the National Association of Legal Practitioners (NALP). The range was between 1,956 and 2,076 hours in 2008.

Table 1. Employment Trends in the U.S. Law Industry, 2001–2012 (%)

Year	*Employed*	*Jobs requiring the bar exam*	*Other professional positions*	*Nonprofessional positions*	*Not working*	*Continuing studies*	*Jobs in law firms*
2001	90.0	75.9	5.5	1.5	7.6	2.4	57.8
2002	89.0	75.3	5.8	1.6	8.5	2.5	58.1
2003	88.9	73.7	5.7	1.6	8.4	2.7	57.8
2004	88.9	73.2	5.3	1.4	8.6	2.5	56.2
2005	89.6	74.4	5.1	1.4	8.2	2.2	55.8
2006	90.7	75.3	5.1	1.3	7.0	2.2	55.8
2007	91.9	76.9	5.1	1.3	5.8	2.3	55.5
2008	89.9	74.7	4.9	1.3	7.7	2.4	56.2
2009	88.3	70.8	5.4	1.8	8.7	3.1	55.9
2010	87.6	68.4	5.6	1.9	9.4	2.9	50.9
2011	85.6	65.4	5.3	1.9	12.1	3.0	49.5
2012	84.7	64.4	4.9	1.8	13.2	2.1	50.7
2013	—	64.4	4.7	1.6	12.9	1.8	51.1

Source: NALP (2013).

low-cost labor force in India that could do the work traditionally assigned to first- and second-year associates, and an increased willingness of law firms to use them after the financial crisis. Although the offshoring of legal back-office work started before the crisis, the offshoring of law work became more legitimate after the crisis, both as a result of positive American Bar Association (ABA) rulings and through isomorphism (Dimaggio and Powell 1983), which, as Osterman explains, can happen because of pressures in the external environment that establish "coercive channels of imitation" whereby individual employers seek to strengthen their position by imitating the organizational structures and practices of leading employers (1994: 323). This type of benchmarking partially explains the popularity of offshoring after the financial crisis.

The theoretical discussion so far indicates how transformation in ILMs takes place, but the indicators and consequences of the transformation are more relevant for this study. We can evaluate whether a transformation occurred in the ILMs of large law firms after the financial crisis with reference to Osterman and Burton's (2006) indicators. They noted that, first, ILMs cannot exist without employment stability, so a decline in job security is indicative of a transformation. Second, a core characteristic of ILMs is that a firm's employees are members of the firm, implying that ILMs are undergoing transformation if the firm engages in contracting out. Third, ILMS are transforming if hiring practices depart from the traditional ports of entry and hiring occurs at the middle levels of the traditional ladders. Fourth, in terms of wage setting, firms "paid attention to traditional and fair wage structure rather than rewarding individual performance"; hence, changes toward performance-based wages are indicative of transformation. As we show in our Results section, after the financial crisis, changes were present in all four of these core practices in ILMS in large law firms,

indicating that ILMs are transforming in ways that are more than just incremental adaptation.

The internal consequences of ILM dissolution to the firm are well known, but the external labor market consequences of the dissolution of ILMs are less well studied. An important argument advanced by Lane, Moss, Salzman, and Tilly (2003) is that one consequence of the dissolution of ILMs in lead firms is that they are often re-created in other parts of the supply chain. They found, for example, that food-preparation job ladders are disappearing in final food-service organizations (restaurants, cafeterias, and food-service contractors) but that these functions are being shifted to food-manufacturing firms, which are creating new jobs that have job ladders of their own. Internationally, recent research has shown that the offshoring of a variety of U.S. clerical back-office and call-center jobs to India has created not only a new industry in India (the business-process outsourcing [BPO] industry) but also a brand new labor market with identifiable ILM characteristics (e.g., Kuruvilla and Ranganathan 2008; Batt, Holman, and Holtgrewe 2009).

Global value-chain theory (Gereffi, Humphrey, and Sturgeon 2005), which focuses on the level of firm interconnectedness across countries, provides a mechanism by which we can analyze the linkages between labor markets across national boundaries. Gereffi et al. identified five main types of value-chain configurations that can be differentiated based on their mode of governance: market, modular, relational, captive, and hierarchy. These value-chain configurations vary in their degree of explicit coordination and power asymmetry, with low levels of explicit coordination and power asymmetry in market-based configurations; high levels in vertically integrated, hierarchical configurations; and moderate to high levels of explicit coordination and power asymmetry in network configurations (modular, relational, and captive). Gereffi et al. noted that choice of governance types in different value chains depends critically on three variables: the complexity of the task requirements, the codifiability of those requirements, and the capabilities of actual and potential suppliers in relation to the requirements. Lakhani, Kuruvilla, and Avgar (2013) built on Gereffi et al.'s theory and introduced a framework that focuses on the employment-system linkages between lead firms (U.S. law firms, in this case) and their first-tier suppliers (Indian LPO firms). They suggest that the influence of lead firms on the supplier's employment relations varies depending on the governance type. For example, relational value chains with high task complexity, low codifiability, and high supplier capability are characterized by supplier employment systems in which the lead firms have moderate influence, the skills and knowledge levels of the suppliers' employees are relatively high, and employment is relatively stable or growing. In contrast, captive value chains, in which task complexity, codifiability, and supplier capability are similar, evidence a much closer connection between lead firms and supplier firms in terms of employment-system criteria, in which the influence of the lead firms on the employment practices in supplier firms is much more involved (see Lakhani et al. 2013 for a more detailed explication of the differences in governance types and employment characteristics of suppliers).

The legal industry is characterized by value chains that are relational as well as captive. Clifford Chance, a global law firm opening its own subsidiary LPO firm in New Delhi, is an example of a captive value chain, in which that LPO office services only Clifford Chance globally. But the more common model is a relational value chain, in which U.S. law firms offshore law work to independent LPO firms. In both cases, the relationships between firms are governed by detailed service-level agreements (SLAs), in which a range of work standards and some LPO employment practices are dictated by the client law firms (e.g., to meet the strict confidentiality requirements suggested by the ABA when offshoring work). Some of these SLAs specify how Indian lawyers are to be recruited, trained, supervised, and evaluated. Thus, offshoring and how relationships are governed between the client firms (U.S. law firms) and the first-tier suppliers (Indian LPO firms) provide a channel through which we can examine the linkage between two national labor markets and, thus, explore the external labor market consequences of ILM dissolution.

Methodology

Given our objective of understanding a rapidly changing, still unfolding, and not well-studied phenomena, we employed an inductive approach using multiple methods. Our research design is necessarily exploratory because few prior studies have been done on the impact of offshoring on the legal profession. An in-depth examination of trade publications was augmented by an extensive interviewing phase, in which we sought diverse stakeholder perspectives on the changes in the industry. We consulted with professional bodies, such as the ABA and the National Association of Paralegals; placement firms for temporary lawyers (such as Robert Half); human resources (HR) and administrative managers of law firms; journalists; and law professors and students. We attended conferences on the future of the legal industry. The resulting 60 unstructured interviews took place during roughly one year, October 2012 to October 2013.

We were not successful, however, in obtaining data regarding the quantum or value of work offshored from large law firms. Although we did interview the partners, HR administrative heads, and employees of 12 large law firms (seven in the United States and five in the United Kingdom[4]) that the trade journals had indicated were engaged in offshoring work, the interviews were of limited duration, and without exception, all the U.S. firms requested anonymity and none was prepared to divulge data regarding offshoring. Despite the brevity of our meetings with them, we found that we reached theoretical saturation very quickly, given that the elements of the large law firm employment model were remarkably similar across firms. Our

[4]UK law firms also engage in offshoring legal work; hence, we thought getting some estimate of the quantum and nature of work offshored was important. With one exception, UK firms were also reluctant to share such data.

experience echoes that of Ross, who noted that "most independent observers are in consensus that LPO is on the rise. However greater insight beyond this overly simplistic soundbite is difficult to come by. One of the challenges in gauging the uptake for LPO has been the reluctance, at least until relatively recently, on the part of many law firms and legal departments to publicly acknowledge their LPO relationships. And together with the irrefutable reality that most LPOs are still privately held makes it more difficult to verify LPO adoption, industry revenue or headcount figures" (2012). In addition to the lack of firm-level data, national-level data on offshoring are also unavailable from both the United States and India. As Moncarz, Wolf, and Wright noted, "Few data sources exist that provide insight into the occupations that are affected by services offshoring" (2008: 71).

Hence, we attempted to triangulate by examining the growth of the offshoring of law work from the Indian perspective, relying primarily on interviews with LPO managers and employees, and on figures from India's National Association of Software and Service Companies (NASSCOM), the primary source that tracks the Indian offshoring industry. Our main interest here was to get a sense of the nature and volume of work that was being done in Indian LPOs.

In 2015, 171 LPO providers were present in India. At the time of our research in 2012, this number was about 128. These LPO firms were located primarily in India's major metros, with the Delhi metropolitan area accounting for a dense concentration of 38 firms, closely followed by Bangalore, Hyderabad, and Chennai, each with about 20 firms; however, LPO firms are branching out to India's smaller cities as well. And seven LPO firms have establishments in all the major metros. Thus, LPO firms are distributed all over India. Given the confidentiality requirements imposed on Indian LPOs by their U.S.-based client firms, we found the LPO companies also largely resistant to our requests for research access. But by leveraging our personal contacts, we managed to talk to a few managers and employees, who in turn introduced us to other employees. Through this snowball sampling strategy, which we undertook in two phases, we managed to obtain 38 interviews. The first phase covered 21 lawyers working in LPOs in Bangalore. Of these 21, 3 were chief executive officers of LPO organizations (one of whom was Canadian), 2 were chief operating officers, 6 were managers (two of whom were American), 2 were team leaders, and 10 were senior and junior associates. On learning from our Bangalore interviews that LPO firms in New Delhi were more likely to be engaged in higher-quality legal work, we subsequently interviewed 17 participants in New Delhi (1 general consul to a LPO, 1 legal consultant to LPO firms, 5 lawyers employed as managers in LPOs, and 10 junior and senior associates). We cannot claim that this is by any means a representative sample, and most of our informants were employed at large LPOs. Our perusal of the websites of all 171 current LPO providers suggests that LPO firms do largely similar work, with several larger firms engaging in higher-quality work. As such, we are more confident of generalizing to larger LPO firms than to smaller ones, but again, our

purpose was exploratory, to gain perspectives about the nature of the work in LPOs.

All our interviews were long (lasting more than two hours), unstructured, and conducted outside the workplace. The focus of our interviews was to get a sense of what work is done and how LPO employees see their work. None of the participants objected to the use of an audio recorder after we indicated to them that their responses and insights would be kept confidential. The recorded interviews were transcribed by the authors.[5] Because our interest was primarily in trying to get a sense of the work performed in LPOs, our coding of the interview data was organized around the different work categories and types, and the workers' subjective experiences.

Results

Given Osterman's (1994) observation that ILMs form a "logical system of rules," a change in one element implies a weakening of the whole logical system. Osterman and Burton's (2006) indicators of ILM transformation include changes in compensation, increased lateral hiring, employment stability, and contracting out. Firms accelerated their departure from traditional lockstep compensation to "eat what you kill" strategies for partners, with numerous innovations, from lockstep plateaus to full merit pay for associates.[6] In addition, as large firms attempted to increase profits per partner (PPPs), they tightened compensation for associates, as evidenced by the sharp declines in salaries for first-year associates since 2009 shown in Table 2. Simultaneously, firms substituted more lateral hiring for the hiring of entry-level associates, which is evident in the growth of two-tier partnerships (see Table 3) and particularly pronounced in larger law firms.

Changes in employment stability are indicated by the layoffs of lawyers, law firm bankruptcies, and hiring cutbacks. Scheiber (2013) suggested that during the last decade at least 12 very large law firms with more than 1,000 partners among them have collapsed entirely. Edwards (2013) noted that between 12,000 and 14,000 lawyers were laid off during the downturn. Despite two years of increasing profitability among large law firms, the hiring of junior associates at large firms has not bounced back. Instead, hiring cutbacks continue and are, in the opinion of many of our interviewees, the "new normal."[7] Only 21% of leading firms hired more first-year associates in 2012 than they did in 2011 (Clay and Seeger 2012). All the available evidence (from the Altman Weil, Lexis-Nexis, and Robert Half surveys) suggests that law firms expect to hire more lateral associates (non-partner-track attorneys) in 2014 and 2015 rather than recruiting at the entry level. Therefore, we should not be surprised that Table 1 shows a general decline (beginning in 2009) in the percentage of law graduates who work in law firms. In

[5]More details on this fieldwork are available from the authors on request.

[6]Interviews at three U.S. law firms.

[7]Interviews with law firm administrator in New York City.

Table 2. Starting Salaries for Law Graduates

Class of year	*Median individual starting salary*	*Annual percentage change for median salaries*	*Mean individual salary*	*Annual percentage change for mean salaries*
1990	40,000	+6.7	44,290	+5.2
1995	40,000	+8.1	45,590	+3.3
1998**	45,000	+9.8	53,172	+8.5
1999**	49,000	+8.9	59,133	+11.2
2000	51,900	+5.9	67,048	+13.4
2004	55,000	0.0	71,105	+1.6
2005	60,000	+9.1	72,730	+2.3
2006**	62,000	+3.3	79,338	+9.1
2007	65,750	+6.0	86,396	+8.9
2008	72,000	+9.5	92,009	+6.5
2009**	72,000	0.0	93,454	+1.6
2010**	63,000	–12.5	84,111	–10.0
2011**	60,000	–4.8	78,653	–6.5
2012**	61,245	+2.1	80,798	+2.7
2013	62,467	+1.90	82,408	+1.9

Sources: NALP (1990–2013). **NALP (2007–2015).

Table 3. Intensification of Two-Tier Partnerships

	2009	*2001*	*1995*
All firms (%)	67.0	47.2	34.6
Firms of 100 or fewer lawyers (%)	49.6	36.3	35.0
Firms of 101–250 lawyers (%)	73.6	48.1	41.0
Firms of 251–500 lawyers (%)	77.9	56.9	27.3
Firms of more than 500 lawyers (%)	66.1	46.7	27.3
Number of firms	1,571	1,234	940

Source: NALP (2010).
Note: Percentage of law firms reporting two or more partnership tiers.

sum, the evidence of change here is consistent with the core indicators of ILM transformation that Osterman and Burton (2006) highlighted (we discuss the issue of offshoring in more detail in the next section).

The crisis also has prompted a questioning of the long-held belief in a linear relationship between leverage and profitability. For example, MacEwen (2010), using 2008 data from selected Am Law 200 firms, found that firms with high leverage (3.55 to 1) have substantially lower PPPs ($490,000) than firms with lower leverage (1.7 to 1), which have PPPs averaging $1.4 million. In the 218 large law firms surveyed, 42% of managing partners saw leverage declines as being permanent, and only 29% felt the declines were temporary (Clay and Seeger 2012). As many have noted, leverage can be a firm's best friend in an arena of growth, but in downturns, it is a law firm's worst enemy. Another key development has been a departure from a very established practice—"billing by the hour"—an integral component of the

reputational model of the law firm that the Cravath system established circa 1915. Billing practices today show increasing diversity, with a variety of fee options, including fee for service, "value billing" (tying the overall fees for representation to outcomes), flat rates for work done during the year, a fixed fee for each job completed, and a "success fee" (based partially on performance and outcome or a blended discounted fee).[8] Evan R. Chesler, presiding partner of Cravath, Swaine, and Moore, noted in 2009, "It is time to get rid of the billable hour" (in Glater 2009). Thus, after the financial crisis, the rate of changes in many of the elements of law firm employment practices noted by Henderson (2008b) accelerated, resulting in a weakening of the "logical system" of rules that characterized the ILM practices of law firms.

The Development of Legal Process Offshoring

The limited U.S.-based data on LPO, based on annual Altman Weil surveys of approximately the same 800 large law firms (from 2009 to 2013) suggest that in 2006 about 6% of firms were offshoring work. Although the 2014 survey of the top 800 firms reported that only 10.3% were outsourcing legal work, that number jumped to 20.7% in firms with 250 or more lawyers. Significantly, the outsourcing of legal work was accompanied by a range of nontraditional staffing strategies in 2014. For example, 59% of firms admitted to using contract lawyers, 55% indicated they were using temporary lawyers, 20% outsourced or offshored back-office work, and 11% had opened captive low-cost centers to do a variety of jobs. Although corporate law departments were not part of the Altman Weil surveys, evidence exists that at least 44% of corporate in-house legal departments have used LPOs for at least one task (Currell and Henderson 2013). Clifford Chance, one of the world's top five law firms, increased employment at its captive Indian LPO from 4 lawyers in 2007 to 100 in 2012. Thus, these limited data suggest that the offshoring of law work has increased since the financial crisis.

The data from India also paint a consistent picture. NASSCOM's figures indicate that the LPO revenues have increased from $640 million in 2010 to $857 million in 2011 to $1.12 billion in 2012, resulting in a 30% annual average growth rate. NASSCOM's data are more reliable because they depend on annual reports by the LPO companies, and we found that they are consistent with other estimates that also suggest fast growth after the crisis. Lacity and Willcocks (2012) noted an average annual growth rate between 35% and 40%, with some firms experiencing 100% annual growth between 2006 and 2010. The number of LPO firms in India have grown from 40 in 2005 to 128 in 2010 (Lacity and Willcocks 2012), while our count in 2014 yielded 171 firms. Employment growth in Indian LPOs paints a consistent picture of post–financial crisis growth. The LPO industry, which

[8]Interviews 12, 14, and 17 (all at law firms).

employed 7,500 Indian lawyers in 2006, employed 15,400 in 2010, and 32,000 in 2012 (according to NASSCOM). Figures from NASSCOM's annual report for 2013 include a projection of 80,000 employees in India's LPO sector by 2015, an estimate that is consistent with the projection of 79,000 employees by the ABA (2011) for the same year. Thus, a consistent picture emerges from these disparate sources.

Crucially, U.S. corporate legal departments and U.S. law firms dominate the offshoring to India. In 2010, for example, fully 72% of the total revenues of the Indian LPO industry was accounted for by U.S. firms, followed by UK firms (which accounted for 19%), with the remainder spread across Australia, Japan, and the Middle East (NASSCOM 2011). NASSCOM's projections suggest a continuing dominant role for U.S. firms, although they point to faster growth in UK offshoring to India.

This rapid growth of the LPO industry in India has been accompanied by industry churn, with a number of new entrants, a significant consolidation in terms of acquisition and merger activity, and increased investment in LPO firms. The year 2010, for example, witnessed a wave of mergers and acquisitions and the rise of global LPO firms. UnitedLex, Integreon, CPA Global, and SDD Global were involved in mergers, and Thomson Reuters acquired one of the largest Indian firms, Pangea3. More recently, a number of Indian software and BPO multinationals, such as Infosys, Wipro, and TCS, have entered the LPO arena.[9] Significantly, emerging-markets-focused private-equity firms such as ACTIS have begun investing in LPO companies (e.g., Integreon). A second trend is the growth of firms that specialize narrowly on issues such as legal analysis for Hollywood studios, pursuing royalty claims, libel lawsuits, and business incorporations. Bull and Furlong noted that "the overall market for legal services is fracturing, it is unbundling and specialists are emerging and the specialist capabilities of providers (apart from large scale document coding) are boundless" (2011).

More important than LPO revenue growth in appreciating how the offshoring of law work might substitute for the work of junior lawyers in large U.S. firms is the changing nature of the work that LPO firms do. We categorize LPO work in terms of complexity (the extent to which it corresponds to work done by first-year, second-year, and third-year associates in large law firms).[10] Growth is discernable in all three categories.

At the lowest end are the back-office business services (e.g., accounting, payroll, information technology [IT], and software systems application and maintenance), many of which were offshored during the boom in India's BPO in the late 1990s and early 2000s (Kuruvilla and Ranganathan 2008) for other businesses, but the offshoring intensified in the early 2000s for the law industry. The middle category, litigation support services, includes much of the labor-intensive legal work, such as legal transcription, document

[9]Interviews 18, 19, and 20 with individuals from Wipro, Infosys, and TCS.

[10]Others prefer alternative categorizations. Lacity and Willcocks (2012), for example, wrote of 10 towers (also referred to as industry "verticals" in India) across which firms specialize.

conversion, legal coding and indexing, and document review and discovery. Many of these activities are typically done by first-year associates in large law firms and by paralegals in smaller firms. Typically, document review work by first-year associates in large U.S. firms is billed out to clients at rates above $200 per hour, but this work can be done in India for $10 per hour.[11]

The third category consists of the rapidly growing, higher value-added services, such as general legal research services; patent assessment; patent portfolio management; statutory and case law research; due diligence services, such as technical, legal, and financial analyses of companies for mergers and acquisitions; and contract drafting and review. Typically this work is carried out by second- and third-year associates at U.S. law firms. We found that companies such as SDD global and Lexadigm are doing the research for briefs and motions to be presented in U.S. courts and that their attorneys are trained for multijurisdictional research. Lexadigm has drafted its first brief to present before the U.S. Supreme Court involving a tax dispute related to the Fifth Amendment due process clause. Both Lexadigm and Intellivate specialize in the higher value-added arenas, such as appellate briefs and patent applications (Sechooler 2008). Some examples of their work include briefs and motions for a variety of violations of U.S. laws, such as the Fair Debt Collection Practices Act, Fair Credit Reporting Act, Fair Credit Billing Act, and Truth in Lending Act. Several firms we interviewed assist U.S. Social Security attorneys in filing cases and do research for filing de novo appeals before administrative law judges. They also provide assistance to bankruptcy attorneys in preparing complaints and are making rapid advances in medico-legal support. A well-publicized story regarding the successful motion filed by an India-based LPO firm to dismiss the defamation case against Sacha Baron Cohen in the California courts (in connection with the *Da Ali G* show) has also raised the U.S. profile of LPO firms (SDD Global Solutions website 2013).

As firms move rapidly up the value chain, they engage in more "nearshoring or onshoring," similar to the experience of Indian software and BPO firms (Kuruvilla and Ranganathan 2008). Hence, SDD Global[12] and Pangea3 (now Thompson Reuters) have recently opened more offices in the United States but hire U.S. lawyers at lower salaries. Thompson Reuters is "hiring lawyers, barred in any US jurisdiction" to build multiple document review project teams in Ann Arbor, Michigan, and Carrolton, Texas. We find that the LPO industry in India is moving up the value chain, which is consistent with the views of other observers, such as Bull and Furlong, who suggested, "LPO firms are moving up the value chain with surprising speed: taking on the work of second, third and fourth-year lawyers" (2011: 2).

Our evidence on offshoring growth in Indian LPOs after the crisis suggests that the recession was a watershed event. We are not alone in this

[11]The general counsel at GE was quoted in the *Legal Intelligencer*: "You don't need a 500$ an hour associate to do document review."

[12]Now owned by a U.S. law firm, SmithDehn.

assessment. David Wilkins, director of Harvard Law School's Program on the Legal Profession, suggested that "[t]his is not a blip, this is a big historical moment" (in Timmons 2010). Professor Larry Ribstein, in an interview with Forbes, noted, "The financial crisis was the turning point. Law firms downsized rapidly as their biggest clients no longer had bottomless pockets to pay them. New law graduates, the canaries in the coal mine, found their jobs disappearing. They might have hoped that the jobs would return with the economy. But by then, it was too late: The jobs were going to India" (2010b).

What we have suggested thus far through our examination of India's LPO industry is that both the volume and the value of law work that is offshored have increased since the crisis and after global value chains in this industry became more established, with negative implications for the employment for entry-level positions in large U.S. law firms. The connection between offshoring and entry-level employment in U.S. law firms can also be seen in a trade publication called the TyMetrix 2014 Real Rate Report (Wolters Kluwer 2014), which recorded that the entry-level associate hours billed as a percentage of total lawyer hours billed (per client) was 7% in 2009 but declined to only 2.9% in 2011, a powerful indicator of the effect of offshoring and the cut in entry-level positions in the well-established ILM. Notably, the 2014 version of this report revealed a 60% drop in the ratio of hours billed by first-year associates over the past five years.

Why did offshoring increase so rapidly after the crisis? We do not have conclusive answers or a conclusive inventory, but we can identify contributory factors. Clearly the search for lower costs is one reason for the increase; Indian labor costs are between 10% and 20% of U.S. labor costs. But firms could contract out this work inside the United States at almost similar costs. For example, our interviews at Robert Half (a firm that provides temporary legal employees) suggest that firms can hire a contract law clerk for between $18 and $22 per hour, paralegals for between $18 and $25 per hour, litigation legal secretaries for between $15 and $18 per hour, and project attorneys for between $40 and $45 per hour. During the downturn, the Philadelphia office of Robert Half was supplying project attorneys at $20 per hour, which is only marginally higher than Indian costs. Therefore, labor-cost arbitrage is not the only reason for the increase in offshoring.

The rapid maturation of the LPO industry in India has also increased perceptions of the quality and reliability of offshoring law work, which have been important drivers of the increase in offshoring volume. Our interviews suggest that LPO firms have largely addressed U.S. clients' concerns about work quality and have developed robust technical processes and systems that isolate Indian employees from access to confidential information. In addition, Indian lawyers at LPOs are trained and supervised by U.S.- and UK-trained lawyers, and many LPOs hire law graduates from both the United States and the United Kingdom.[13] Lin (2008) noted that Pangea3's clients have often held "bakeoffs" in which Indian lawyers consistently

[13]Interviews 22, 23, and 24.

trounced U.S. contract attorneys at similar legal tasks, such as document review and e-discovery.

Finally, offshoring is increasingly seen as a legitimate strategy among U.S. law firms. The Altman Weil surveys (2014) showed that the percentage of law firms surveyed that think offshoring legal work is a permanent trend increased from 27% in 2010 to 50.7% in 2014. The spurt in offshoring occurred particularly after the ABA's Standing Committee on Ethics and Professional Responsibility outlined its position in August 2008 regarding the obligation of lawyers when offshoring legal and nonlegal support services. This pronouncement was widely seen as the ABA's having "blessed" offshoring. In addition, benchmarking consistent with Osterman's (1994) notion of mimicry has had an effect here. Lead law firms such as Allen and Overy and Clifford Chance in the United Kingdom commenced offshoring in 2009, a little behind U.S. law firms such as Jones Day and Kirkland Ellis. Similarly, the leading in-house corporate-law departments of Rio Tinto, DuPont, Cisco Systems, and Morgan Stanley also offshored legal work in 2007 and 2008, setting a precedent for other companies to follow.[14]

To summarize, our examination of the development of the LPO industry in India suggests that the quantum and value of offshoring law work to India have been increasing rapidly (especially after the financial crisis); that the United States is the dominant offshorer of such work, accounting for the 72% of the Indian market; and that the nature of work that is offshored substitutes for the work currently done by junior associates at U.S. law firms. In addition, a concomitant decline has occurred in entry-level recruitment in U.S. law firms, and recruitment has not picked up significantly since the economic recovery.

Taken together with the other evidence about ILM transformation provided earlier in this section, we argue that the immediate and potentially lasting impact of these developments is a change in the employment structure of large law firms. From their erstwhile pyramid shape, large firms are increasingly going to look diamond shaped, with a smaller intake of fresh law graduates, a bulging number of trained non-partner-track associates, and a smaller pool of partners. As Passarella, an observer of law firms, wrote, "Diamonds may be a law firms' best friends" (2009).[15]

Changes in Law Labor Markets in India

As ILMs in the U.S. law industry are fracturing, a new type of ILM is emerging in the LPO labor market in India. Although there is a dearth of systematic data available on the Indian law labor market, we know that 1.3 million lawyers were registered to practice law under various state bar councils in India in 2011.[16] India produces about 80,000 law graduates annually from

[14]Interviews 11 and 12 at U.S. law firms.

[15]Currell and Henderson (2013) preferred to write of a transition from a pyramid to a tower.

[16]Data are from LegallyIndia.com. We have cross-sectional data from states for particular years but no longitudinal data on lawyer numbers.

906 law schools, although a majority do not enter the legal profession. Balakrishnan noted the poor quality of Indian legal education: "the limited rigour of legal training in Indian law schools and easy credentialing of the profession made law the most accessible 'professional' degree that a student could acquire" (2009: 134). A graduate degree in law is seen as a degree of last resort, with easy entry requirements (Dean 2010). Many see law as an entry into a political career, and for those who do not have the kinship connections to enter the relatively few prestigious law firms, small-town private practice or alternative careers were the only options, apart from unemployment, a phenomenon commonly known as "briefless barristers" (Schmitthener 1968). In sum, too many law schools with poor-quality teaching and facilities resulted in the mass production of low-quality legal personnel, many of whom do not work as lawyers (Gandhi 2004; D'Allaird 2007).

The labor market is segmented, with relatively few elite firms (which handle a disproportionate amount of the corporate legal work) and a large number of small firms and sole practitioners. Entry into these elite firms, most of which are family controlled (Mendelsohn 2005), is not a function of merit but is based on family and kinship networks (Dezalay and Garth 2004). Elite Indian law firms emphasize training through apprenticeship but do not exhibit the ILM employment model that is standard in U.S. firms.

In 1988, in an effort to modernize law education and reduce the influence of the family-oriented profession (Dezalay and Garth 2004), the government of India introduced elite undergraduate national law universities, now numbering 12. Entry into the undergraduate program is based on rigorous meritocratic principles (in contrast to the post-graduate law schools). In 2008, seeking to increase the quality at all law schools, the Bar Council of India (BCI) specified the essential requirements for all law schools, such as library, technology and classroom facilities, faculty qualifications, infrastructure, and laboratory and legal resources (Bar Council of India 2008). In 2011, the BCI introduced the mandatory All-India Bar Exam (AIBE) for lawyers wanting to practice in court. More than 22,000 lawyers sat for the first bar exam in 2011 (71% qualified).[17] Today, law colleges/universities that are registered with the BCI and whose graduating students do not appear for the AIBE face disaccreditation. Thus, an effort is underway to professionalize the legal market. In contrast to elite U.S. schools, the new law universities, which attract the best applicants, have begun to place their students in in-house corporate legal departments; nevertheless, relatively few join elite law firms, where the family and kinship ties continue to dominate (Dezalay and Garth 2004).

The LPO industry, however, provides a new avenue of employment for those law graduates who do not have the kinship ties to get into elite law firms, do not wish to start their own small firms, or do not pass the bar exam. Note that the Indian LPO firms recruit both law graduates and graduates from other disciplines (many aspects of LPO work do not need

[17]Data are from http://www.LegallyIndia.com.

training in law). The emphasis is on recruiting fresh law graduates who can be easily trained to meet client expectations rather than on recruiting those with litigation skills, which are of little use in LPO firms. As a chief operating officer of an LPO indicated to us,

> We do not recruit many people unless the legal skills are very good and are required for the project. We select freshers from law school who can be trained. Why should I pay unnecessarily for experience which is not worth its billing. If the client is not going to pay me a premium for hiring persons with four years' experience in litigation, better I hire freshers.

Thus, LPOs have increased the number of jobs for law graduates in India but has also created a "re-invented form of professionalism" (Noronha and D'Cruz 2012), in particular, the growth of a new professional career track for Indian lawyers who, ironically, will not be practicing Indian law in Indian courts. As one of our associates suggested,

> With a mere law degree, I did not expect to make a good living but today I am sitting in a corporate office interacting directly with foreign clients. Though the kind of work I am doing is, not professional, the kind of environment is professional.

Another employee working in a LPO indicated:

> If someone wants a steady career path and someone who wants to work in a corporate environment LPOs definitely are a better option. It's a different career path—a corporate commercial lawyer. It's like bucket A and bucket B, working in courts is completely different game than being a corporate commercial lawyer. LPOs are an excellent way to go because as a lawyer in LPO, your level of professionalism is required to be very, very high. Which means that client is king and the standard of lawyering expected from US clients are very, very high. So no mistakes. You need to be very very thorough, pay attention to detail and have high level of writing and drafting skills which is provided to LPO lawyers.

Many of the employment practices at LPOs firms are mandated by their U.S. clients, consistent with the propositions in Lakhani et al. (2013) regarding the employment-system connections between lead firms and supplier firms in the different value-chain configurations. This degree of involvement of U.S. law firms in the HR practices of LPO firms is driven largely because of the concern with confidentiality. As noted, the ABA, although blessing offshoring in its 2008 opinion, laid down strict guidelines regarding the confidentiality of information, particularly the names and personal details of the clients of U.S. law firms. These concerns have been incorporated into detailed SLAs, which have highly specific performance parameters regarding how the work is done, the accuracy of the work, the workload targets, the six sigma processes, data security, and ethical standards; they also specify how LPO employees are to be recruited, trained, and retained. But we found that these SLAs varied across the different value-chain types. In captive or vertically integrated chains (e.g., Clifford Chance), the lead firm fully managed its Indian employees and was responsible for all employment systems. In the more common relational value chains, LPO employees

were trained and closely supervised by U.S. and British lead firm lawyers (Tuft 2010; Noronha, D'Cruz, and Kuruvilla 2015). Therefore, some HR practices at LPOs (although not all) are determined by these agreements.

Many of these HR practices conform to the notion of ILMs. LPO firms' ports of entry are direct recruitment from second-tier law schools, and they provide a formalized career path, with firmly established job ladders starting from nonlegal associates (who typically engage in low-end back-office work) to legal associates and senior associates (who typically do the work that first-year and second-year associates do in U.S. law firms) to project managers (who supervise the associates) to the legal vice president (typically, the general manager of the firm). A well-established compensation system exists that is associated with the newly created job ladders, with salaries of Rs 20,000 per month for a nonlegal associate, between Rs 20,000 and 30,000 per month for a legal associate, between Rs 30,000 and 50,000 per month for a senior associate, between Rs 50,000 and 100,000 per month for a project manager, and upward of Rs 200,000 per month for a vice president (approximately $6,000 per month). Equally, formal firm-specific on-the-job training programs are in place, which are often carried out by British and U.S. lawyers (who could be LPO employees or seconded from the client companies) and by the client companies. For law graduates with no hope of joining elite law firms, LPOs, in which employment is projected to reach 80,000 by 2015, provide a new career coupled with the experience of work culture in a corporate environment. As a young LPO associate at CPA Global told us,

> It is a good salary, good work-life balance, a new industry that provides transport to and fro from work, and a free lunch!

Another LPO manager noted,

> In the legal fraternity it takes 10–12 years to establish your name. If you have no background it takes longer than that. . . . in an LPO firm if I move from the base level to a Quality Analyst, from Quality Analyst to a Team Lead, Team Leader to a Team Manager, the jump is constant. It is a straight graph. . . . LPO firms offer great career path. I know lawyers with 5–7 years of experience managing 20 clients and a team of even 50–60 lawyers.[18]

We obtained consistent reports from all our interviewees that the career paths at LPOs were clear and much faster than in regular legal firms. Yet another manager in an LPO indicated,

> The opportunity of growth in an LPO is relatively higher as compared to law firms. I would say, if somebody is deserving they would get promoted in about a couple of years, right? There are people in the company who started ten or twelve years back, and at present they are VPs [vice presidents]. Becoming a VP in ten, twelve years is a big achievement.

Thus, a new professional track, with clearly established ports of entry and ladders (the hallmark of an ILM employment system), along with extensive firm specific training,[19] appears to be gradually developing for Indian

[18]Interview with two LPO employees.

[19]For a detailed description of training systems inside LPOs, see Noronha et al. (2015).

lawyers who cannot get into elite law firms; it thus serves as a new avenue for upper-middle-class mobility for this group of Indian law graduates. Of course, the establishment of a new professional track does not necessarily mean that a classic ILM is developing in the Indian law labor market. It is indicative, however.

Conclusion

Using an ILM perspective, we have demonstrated that the long-established ILM model (the Cravath system) in large law firms is beginning to fracture. We find that the offshoring of law work to India has rapidly increased, specifically the work hitherto done by junior lawyers in large law firms, and that the hiring of first-year associates by U.S. law firms shows a concomitant decline. And consistent with Osterman and Burton's (2006) indicators of ILM transformation, changes are evident in many of the practices that "fit together in a logical system," notably in job security and stability, compensation systems, billing practices, and external hiring. Consequently, the pyramid-like shape characteristic of large law firms with well-developed ILMs is giving way to a more diamond-like future configuration, with a lower intake of fresh associates. In contrast to those analysts who argue that law firms are likely to return to path-dependent ways of organizing their employment relationships once the financial crisis is over, what we see is the beginnings of a permanent change in the law firm employment model in the United States.

The limited evidence available thus far is consistent with our argument. Establishing a definitive causal connection between the offshoring of law work (or its domestic outsourcing, for that matter) and the declining employment of junior associates would require case-study evidence from law firms, which was not forthcoming. Nevertheless, our evidence, drawn from a variety of sources and from fieldwork that helped us understand the growth and changes in the nature of work being offshored, makes our argument highly plausible. The offshoring of law work is a newly discovered avenue for cutting costs and increasing PPPs that law firms are highly likely to capitalize on. Clearly, a global value chain is developing in the legal industry. Future research may be able to study the variations in the governance of these legal value chains when the firm/network-level data become more available.

More generally, our results suggest that, despite the high degree of occupational and market closure enjoyed by the high-skill, high-status legal profession, the response of law firms to the changing economic pressures, in terms of the transformation in ILMs, is no different from responses in other well-studied manufacturing and service industries. Admittedly, our analysis focuses only on larger law firms, but as this case has suggested, large law firms play a pivotal role in structuring labor market behavior. Our research on the legal profession directly responds to Sako's (2013) call for more research on the effects of globalization on the professions and suggests that even professional jobs involving lateral thinking are subject to offshoring. Whether our argument generalizes to *all* professional services is not clear

because many high-skill occupations have different employment structures (and face different economic environments). Our argument is most relevant for subsets of some professions, such as accounting firms, that have similar employment structures and for the high-skill, high-status academic profession, in which the refusal to give students college credit for courses taken from Ed-X and Coursera (academics are engaging in market closure!) is preventing the outsourcing of academic courses.

Although our research is illustrative of the way globalization is reshaping the labor and educational markets for law, our results are bounded. We are talking about the U.S. legal-service market, which was both particularly hard hit by the financial crisis and which tended to have highly developed and rigid ILM policies. The legal-services market in many other countries was not hit as hard by the recession and is characterized by medium-size law firms in which lawyers perform more integrated tasks. In addition, the United States and India are more closely tied in terms of language and legal system, which is not true to the same degree for other countries (other than the United Kingdom, which also offshores legal work to India, and Australia and Canada, which have begun to do so). A second limitation is that we do not have estimates of the domestic outsourcing of law work, which may (or may not) be larger than the work that is offshored.

Our results are consistent with the theoretical perspectives highlighted by Osterman (1994) and Grimshaw and Rubery (1998), and they extend the ILM literature by integrating global value-chain theory to substantiate the argument that while ILMS are transforming in one place they are being partially re-created in other parts of supply chains. Our case here is illustrative of how the national labor markets for professional services, at least in this particular instance, appear to be increasingly intertwined.

Finally, our results provide some empirical confirmation of one of the societal consequences of the decline in ILMs in high-wage, high-skill professional services, as highlighted by a quotation from Professor William Henderson, reported by Bronner in the *New York Times:* "Thirty years ago if you were looking to get on the escalator to upward mobility, you went to business or law school. Today, the law school escalator is broken" (2013). A similar escalator, however, is being rebuilt—but in India.

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