AON

U.S. Law Firm Human Capital Key Topics and Trends Report

April 2024

Background

The Professional Services Practice at Aon recently deployed a survey aimed at gathering data about how law firms are thinking about a variety of topics. The topics were chosen by reviewing recent requests for benchmarking from clients and consultants. Specifically, the survey covered leadership views toward benefits, the prevalence and effectiveness of certain point solutions, developments in wellbeing initiatives, adoption of lifestyle benefits, and plan governance.

All respondents were either "Am Law 200" firms or firms based outside the United States with gross global revenues in the Am Law 200 range (currently from $120 million to $7.2 billion).

Executive Summary

The results from this survey show that law firms are responding to changes in the economy, the political and regulatory environment, and the talent market by taking a number of strategic actions:

- Carefully limiting investments to the areas of greatest need,
- Focusing DEIB initiatives on the areas of highest impact,
- Going all-in on cultivating a culture of wellbeing and matching attorneys and staff with the resources they need, and
- Reviewing plan governance processes.

While we expect these trends to continue through the rest of 2024, the last few years have demonstrated that law firm leaders recognize the need to be agile and respond decisively to events like court decisions, election outcomes, and global conflicts.

Contact

We value the opportunity to engage in additional conversations about these important topics, as well as to address your general feedback. Please contact the authors of this report below:

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Firm Environment

With conflicting macroeconomic indicators and political uncertainty across the United States and abroad, it is natural to see law firms responding in different ways based on their own unique circumstances (practice area, client industry concentration, geography, etc.). For example, we still see some firms steadily adding to their headcount, while others have announced layoffs in certain practices sensitive to interest rates and deal flow. As benefits consultants serving law firms, we were interested in finding out how all of this was impacting decision-making with respect to law firm benefit plans.

Additional Investments

After several years of unprecedented investments among law firms in offering additional participant-facing resources (behavioral health services, clinical programs, stipends, etc.), we are now seeing a return to normalcy. Roughly 75% of survey respondents said their firm is generally slowing additional investments but will make exceptions when there is a solid business need or expected return on investment. Another 18% said that there is still a strong willingness among their leaders to introduce new resources, with the remaining 7% saying budgets are essentially frozen.

Even as wariness toward new investments becomes the norm, benefit leaders still face a mandate to ensure their firm's benefits meet the diverse and evolving needs of their population. For this reason, we anticipate helping our clients perform fresh evaluations of how certain point solutions are performing and, where warranted, redirect spend where it will have the most impact.

Diversity, Equity, Inclusion, and Belonging (DEIB)

In 2023, some firms found that their fellowship and diversity in hiring programs were attracting negative attention from outside interest groups and elected officials. In a few cases, this attention led to actual policy changes.

Despite this, DEIB remains a prominent guiding principle. Law firms continue to be one of the most-represented industries in the Human Rights Campaign Foundation's Corporate Equality Index[1] and 94% of respondents to our survey said that they had successfully incorporated their firm's DEIB principles into their benefit plans. For many, this meant providing coverage for gender-affirming care, inclusive family-forming benefits, and plan eligibility for domestic partners. With that said, several respondents indicated that there is still more work to be done.

[1] However, some firms struggled to comply with the new criteria used for the 2023-24 CEI, leading to a noticeable drop in the number of firms receiving the coveted 100% score.

Point Solutions Prevalence and Effectiveness

Mental Health

A severe nationwide shortage of mental health practitioners combined with a profession that sees higher-than-average behavioral health and substance abuse issues has led law firms to make mental health resources a cornerstone of their benefit offerings. Of our survey respondents, 65% offer mental health resources beyond what is already available through their medical plan or EAP.

Many of the largest firms (i.e., Am Law 50) are offering unlimited access to therapists through programs like Lyra, Spring Health, and Modern Health. Other firms have turned to less-costly solutions like Headspace, as well as enhancing and raising the profile of their existing EAP.

Clinical Management

U.S. healthcare trend, which measures the increase in unit costs of medical care and prescription drugs, was 7% in 2023, well above the rate of general inflation. Unfortunately, trend projections for 2024 and 2025 are even higher. This has brought a majority of the law firms we surveyed (62%) to consider more aggressive plan management tactics already prevalent among employers in other industries (narrow networks, custom surgery networks, narrow prescription drug formularies, and others).

Perhaps more surprisingly, about 10% of respondents said they had considered more out-of-the-box strategies like reference-based pricing and value-based plan designs. Even if offered on a slice basis alongside traditional plans, these aggressive strategies would be an anomaly in an industry historically resistant to ideas that could create friction for partners who typically pay the full cost of their benefits.

Advocacy and Navigation

While practically ubiquitous among general industry employers, healthcare advocacy services only started to gain significant prevalence at law firms until recently, with 67% of our survey respondents saying they had one in place. These inexpensive services have a variety of use cases for participants ranging from answering relatively basic benefit questions to resolving complex claim issues, thereby freeing a firm's benefit staff to focus on more strategic matters. Skepticism about whether partners would use an advocacy service was one of the primary reasons why law firms had not implemented them in the past. However, firms that have brought in advocacy services generally found that they added value regardless of partner utilization.

Navigation solutions come in many shapes and sizes, with "live navigation" not only becoming the *single front door* to an employer's benefit ecosystem, but also taking over health plan functions like pre-certification and case management. Another option is "wrap-around" navigation solutions that focus on connecting participants with appropriate resources and providing a level of clinical support that makes an impact but does not interfere with the health plan. While only 26% of respondents to our survey had implemented a navigation solution, we expect prevalence to grow as law firms focus on helping their participants get the most out of existing resources rather than continuing to add new ones.

Wellbeing Initiatives

In addition to the mental health resources already discussed in previous sections, our survey found that law firm benefit leaders remain focused on developing, maintaining, and expanding the holistic wellbeing initiatives in place at their firms. Other than simply supporting the wellbeing of their colleagues, the top motivations among our respondents for investing in wellbeing initiatives included positive impact on the firm's reputation, keeping up with peer firms, and risk management (for both the health and professional liability programs).

When asked to describe what was already in place, the most common responses were:

- Educational webinars and events covering a variety of wellbeing topics,
- Access to financial advisors,
- Resources for new parents like Milk Stork and similar services, and
- Gym membership subsidies (more on this in the next section).

Ensuring new parents have the support and resources they need is a perennial topic of concern for law and other professional services firms, and it appears that the investments many firms have made may be paying off. When asked if their firm is currently seeing elevated levels of attrition following the birth or adoption of a child, only 32% of respondents said they were. Most of those respondents estimated their attrition rate to be 15% or less, with a few estimating as high as 25%.

We also found that the wellbeing programs at a few firms have components that resemble what is more commonly in place at Fortune 500 employers. Examples include gamification/challenges, incentivized health screenings, and medical plan contribution credits based on wellness activities. However, law firm prevalence of credits remains low at 22%.

Nearly all respondents listed increasing overall engagement as one of their primary medium and long-term goals. A few respondents said they planned to educate partners about their unique role in promoting wellbeing among their peers and associates. We also noted references to collaborating with law schools and students on wellbeing initiatives, both as a recruiting tool and a way to teach wellbeing principles to young lawyers before they even join the firm.

Lifestyle Benefits and Perks

Now more than ever, law firms are using perks and cash-based benefits to round out their total rewards propositions. The most prevalent examples captured in our survey were:

- Opportunities for remote work,
- Technology stipends for mobile phones, tablets, and remote work equipment,

- Free food and snacks at offices, and
- Employee discounts procured directly or through a platform.

A few statistics in our survey results have led us to expect growth in lifestyle spending accounts (LSAs) being offered at law firms. These notional, post-tax accounts provide a mechanism for employers to consolidate existing point solutions and resources with limited utilization and application into a simple stipend that nearly anyone can find a way to use. For example, 43% of respondents currently offer some kind of subsidy for gym memberships. A lifestyle spending account is another means of subsidizing a gym membership but might have broader appeal because it could also subsidize or cover at-home fitness equipment, park passes, or ski lift tickets. 38% said they are already considering using LSAs in this way.

Plan Governance

Given recent changes in the federal regulatory environment as well as lawsuits against plan sponsors, compliance is returning to the top of the agenda for many of our clients. With this in mind, we included a few questions in our survey pertaining to plan governance.

The Employee Retirement Income Security Act of 1974 (ERISA) imposes certain duties on plan sponsors to make decisions in the best interest of their plan's participants, known collectively as "fiduciary duties". Many law firms consider it best practice for plan sponsors to establish a formal benefit committee to carry out these duties and act as the governing body for the firm's health, welfare, and retirement plans.

Law firms appear relatively divided on whether and how to formally delegate fiduciary duties pertaining to their health and welfare plans. While 68% of respondents said that they have established a formal benefit committee that is responsible for health and welfare plan governance (as well as retirement plan governance), the other 32% reported having a less formal governance process. For the latter group, this often involved benefit decisions being put before the firm's executive or management committee. With these bodies typically having myriad other unrelated responsibilities, questions could be raised about how much time and expertise is regularly dedicated to the prudent administration of their benefit plans.

At the majority of law firms that do have formal benefit committees, they are typically comprised of partners with a particular expertise or interest in benefit plans. At firms with employment and/or employee benefit practice groups, a natural candidate pool exists. Firms without those practice groups typically seek members with adjacent expertise in investments, corporate transactions, and other disciplines. Only a few firms said they have term limits for committee members and a few others said they had created additional "seats" on their committees for non-partner delegates representing associates and/or staff.

15% of respondents said they were currently reevaluating their plan governance processes.

Conclusion

We hope you found value in this report. Should you have suggestions for additional topics to be covered in a future report, please do not hesitate to reach out to the colleagues shown on the first page or to our mailbox, professional.services.health@aon.com.

About

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